

SENATE FINANCE COMMITTEE  
April 13, 2017  
9:06 a.m.

9:06:51 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Shelley Hughes  
Senator Peter Micciche  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Juli Lucky, Staff, Senator Anna MacKinnon; Representative Harriet Drummond, Sponsor; Kristen Kranendonk, Staff, Representative Harriet Drummond; Benjamin Brown, Chair, State Council on the Arts.

SUMMARY

SB 78 PERM FUND DIVIDEND CONTRIBUTIONS/LOTTERY

CSSB 78(FIN) was REPORTED out of committee with a "do pass" recommendation and with and with a new fiscal impact note by the Senate Finance Committee for the Department of Revenue; one previously published zero fiscal note: FN1 (LAW); and one previously published fiscal impact note: FN3 (REV).

HB 137 ST. COUNCIL ON THE ARTS: PUBLIC CORP.

SCS HB 137 was REPORTED out of committee with a "do pass" recommendation and with two previously published fiscal impact notes: FN2(EED) and FN3(EED).

#sb78

SENATE BILL NO. 78

"An Act creating the education endowment fund and the dividend lottery fund; authorizing contributions from the permanent fund dividend to the dividend lottery fund; relating to transfers from the dividend lottery fund and the education endowment fund; relating to the definition of 'gambling'; and providing for an effective date."

9:07:33 AM

Co-Chair MacKinnon relayed that the committee had heard SB 78 twice and had opened and closed public testimony. At the most recent hearing the committee had discussed prioritization of voluntary contributions from an individual's dividend check.

Vice-Chair Bishop MOVED to ADOPT Amendment 1, 30-LS0534\M.2 (Martin, 4/12/17) (copy on file):

Page 1, line 4, following "fund;":

Insert "relating to the duties of the Department of Revenue;"

Page 2, following line 20:

Insert a new bill section to read:

"\* Sec. 2. AS 43 .23 .055 is amended to read:

Sec. 43.23.055. Duties of the department. The department shall

(1) annually pay permanent fund dividends from the dividend fund;

(2) subject to AS 43.23.011 and [PARAGRAPH] (8) of this section, adopt regulations under AS 44.62 (Administrative Procedure Act) that establish procedures and time limits for claiming a permanent fund dividend; the department shall determine the number of eligible applicants by October 1 of the year

for which the dividend is declared and pay the dividends by December 31 of that year;

(3) adopt regulations under AS 44.62 (Administrative Procedure Act) that establish procedures and time limits for an individual upon emancipation or upon reaching majority to apply for permanent fund dividends not received during minority because the parent, guardian, or other authorized representative did not apply on behalf of the individual;

(4) assist residents of the state, particularly in rural areas, who because of language, disability, or inaccessibility to public transportation need assistance to establish eligibility and to apply for permanent fund dividends;

(5) use a list of individuals ineligible for a dividend under AS 43.23.005(d) provided annually by the Department of Corrections and the Department of Public Safety to determine the number and identity of those individuals;

(6) adopt regulations that are necessary to implement AS 43.23.005(d);

(7) adopt regulations that establish procedures for the parent, guardian, or other authorized representative of a disabled individual to apply for prior year permanent fund dividends not received by the disabled individual because no application was submitted on behalf of the individual;

(8) adopt regulations that establish procedures for an individual to apply to have a dividend disbursement under AS 37.25.050(a)(2) reissued if it is not collected within two years after the date of its issuance; however, the department may not establish a time limit within which an application to have a disbursement reissued must be filed;

(9) provide any information, upon request, contained in permanent fund dividend records to the child support services agency created in AS 25.27.0 10, or the child support enforcement agency of another state, for child support purposes authorized under law;

if the information is contained in an electronic data base, the department shall provide the requesting agency with either

(A) access to the data base; or

(B) a copy of the information in the data base and a statement certifying its contents;

(10) establish a fraud investigation unit for the purpose of assisting the

(A) Department of Law in the prosecution of individuals who apply for or obtain a permanent fund dividend in violation of a provision in AS 11, by detecting and investigating those crimes; and

(B) commissioner to detect and investigate the claiming or paying of permanent fund dividends that should not have been claimed by or paid to an individual and to impose the penalties and enforcement provisions under AS 43.13.035

(11) adopt regulations under AS 44.62 (Administrative Procedure Act) so that contributions under AS 43.23.062 are given a priority over donations under AS 43.23.064 if the total amount of contributions and donations elected by an applicant exceeds the amount of the permanent fund dividend that the applicant is entitled to receive.

Renumber the following bill sections accordingly."

Co-Chair MacKinnon OBJECTED for discussion.

[9:08:18 AM](#)

JULI LUCKY, STAFF, SENATOR ANNA MACKINNON, discussed Amendment 1 (copy on file). She stated that the amendment had been drafted at the request of the sponsor. She relayed that while the amendment was lengthy, it only effectively did one thing. She referred to page 2, line 29, which indicated that the amendment would prioritize the existing Pick Click Give program under AS 43.23.062 over the new raffle program proposed in the bill and enacted under AS 43.23.064. She explained that if a person had promised more of their dividend in voluntary reductions than they would

receive, then the Pick Click Give program donations would be paid first, and the raffle tickets would be prioritized second.

Co-Chair MacKinnon recalled that under voluntary contributions, the University of Alaska Scholars Program was the first item prompted. The second prompt for voluntary contributions was Pick Click Give. The third prompt would ask if the applicant wanted to support public education by participating in a raffle with a chance to win.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

Co-Chair MacKinnon announced there was an amended committee substitute before the committee. She invited comments on the bill. She read the title of the bill and invited Senator Bishop to leave the committee with some final comments on the bill.

Vice-Chair Bishop spoke to the bill as the sponsor. He thought people in the state prioritized education, which he had observed through emails, phone calls, and text messages during the budget process. He thought the bill was another tool by which state residents could voluntarily contribute towards education. He believed the concept would be popular with Alaskans. He thanked the body for hearing the bill.

Senator Hughes thanked the sponsor for bringing the bill forward and for his responsiveness to the comments made in the the Senate Education Committee pertaining to the use of the word "raffle" rather than the word "lottery." She thought clarification was needed because the word "raffle" involved a defined group of people and a defined limited amount of time. She thought it was no different from going to a local chamber meeting and participating in a bucket raffle. It would be for a limited group of people for a limited time. She thought it was important to distinguish "raffle" from "lottery". She was thankful that the bill sponsor was willing to make a language adjustment.

Vice-Chair Bishop appreciated his colleague's suggestion about having a ranking order of voluntary contributions. He reiterated the order of options. He looked forward to seeing how the bill functioned.

Co-Chair MacKinnon directed attention to fiscal note 2, dated March 31, 2017. The fiscal note reflected a cost for software upkeep.

[9:13:31 AM](#)

AT EASE

[9:14:44 AM](#)

RECONVENED

Co-Chair MacKinnon asked for committee support to amend fiscal note 2 from the Department of Revenue, OMB component 121. She wanted to amend the funding source to 1005 Program Receipts. She explained there was a percentage charge for the administration of the program. The funding source would no longer be undesignated general funds. She asked if she had member support to change the funding source to 1005 Program Receipts. There was no objection. The amendment to fiscal note 2 was ADOPTED.

Co-Chair MacKinnon continued to discuss fiscal note 2. The projection for services was \$4,400 in FY 19, \$8,800 in FY 20, \$13,100 in FY 21, \$17,500 FY 22, and \$21,900 in FY 23. Whether the costs would be realized depended on the activity of the people of Alaska.

Vice-Chair Bishop MOVED to report CSSB 78(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 78(FIN) was REPORTED out of committee with a "do pass" recommendation and with and with a new fiscal impact note by the Senate Finance Committee for the Department of Revenue; one previously published zero fiscal note: FN1 (LAW); and one previously published fiscal impact note: FN3 (REV).

[9:16:36 AM](#)

AT EASE

[9:18:52 AM](#)

RECONVENED

#hb137

HOUSE BILL NO. 137

"An Act redesignating the Alaska State Council on the Arts as a public corporation and governmental instrumentality of the state; defining the powers and duties of the Alaska State Council on the Arts; providing exemptions from certain statutes for the Alaska State Council on the Arts; making conforming amendments; and providing for an effective date."

[9:18:59 AM](#)

Co-Chair MacKinnon read the bill title for HB 137 (see above). She recalled that the committee heard the companion bill, SB 66, on March 24, 2018. She invited the bill sponsor to the table.

REPRESENTATIVE HARRIET DRUMMOND, SPONSOR, informed that HB 137 was sponsored by the House Education Committee. The committee had unanimously consented to sponsoring the legislation as a committee bill. It passed the House unanimously. She read a portion of the sponsor statement:

House Bill 137 quasi-privatizes the Alaska State Council on the Arts (ASCA) by restructuring it as a public corporation in order to help the ASCA to continue its work with self-employed Alaskan artists and art businesses during these challenging fiscal times. This new status will allow the ASCA to increase its ability to leverage funds from non-governmental contributors and better adapt to the shifting economic climate.

Representative Drummond understood that the Senate Finance Committee had already heard the Senate version of the bill and would not go into detail about the bill unless the chair directed her to.

Senator von Imhof asked if there was a difference in the two bills.

KRISTEN KRANENDONK, STAFF, REPRESENTATIVE HARRIET DRUMMOND, stated that the version before the committee was the same as the Senate version. However, she thought the committee had an amendment to offer.

Senator Olson noted Representative Drummond's mention of quasi-privatization. He asked if she had looked at any

other places to receive funds aside from the private sector allowed by the bill.

Representative Drummond deferred to the Chairman of the State Council on the Arts.

9:22:00 AM

BENJAMIN BROWN, CHAIR, STATE COUNCIL ON THE ARTS, stated that there were earned income opportunities and program receipts such as the license plate program that passed in the prior year. There would be a two-round competitive process to select a license plate to celebrate the arts. He opined the project would generate funds. He had also talked with other legislators, including Senator Hughes, about other ways of looking for earned income. He noted the possibility of using the temporary art bank to provide art to non-governmental offices for compensation. In addition to asking for foundation funds, the council saw earned income as a possibility going forward.

Senator Olson asked if Mr. Brown could discuss whether the loan program was something the council planned on participating in.

Mr. Brown did not know of any other state that had a public art bank that used it as a service to the private sector. However, it was certainly something the council was willing to look at. He thought the problem was that the private sector was not seeking to expend funds on decorating its buildings in the current economic climate. He suggested that it was possible in the future. He was hoping to use the resources from the National Assembly of State Arts Agency to see if there was an example from another state Alaska could replicate.

Senator Olson asked about the program receipts and asked if the council was competing with any other entities for the program receipts.

Mr. Brown indicated that his late father had been instrumental in founding the Children's Trust. He and his spouse had Children's Trust license plates on both of their cars. He would have to get art plates once they were available, which he jokingly said would be a conflict. He relayed that private galleries did not rent art, rather,

they sold it. He did not see any possible unfair competition.

Senator Olson suggested Mr. Brown get a second car.

Mr. Brown replied, "Maybe a third car."

Co-Chair MacKinnon reminded members and testifiers to relay their remarks through the chair. She asked Representative Drummond if she had a statement on whether the trustees should be confirmed. Alaska had several corporations with trustees confirmed by the legislature in state statute. She used the examples of Alaska Gasline Development Corporation (AGDC) and the Alaska Housing Finance Corporation (AHFC). Additionally, Alaska had some corporations whose trustees were not confirmed such as the Alaska Permanent Fund Corporation.

Representative Drummond did not have an opinion on the matter. She thought there were 11 members on the council each having an area of expertise defined in the bill. The idea was for the council to best serve the needs of the organization. Skills in the area of art were unique to that business.

Co-Chair MacKinnon asked if Mr. Brown had an opinion on whether the council members should be confirmed.

Mr. Brown relayed that the council had researched examples from other states and jurisdictions. Some council members were appointed by legislative bodies. In other states the governor appointed members who were confirmed by the legislature. The council concluded that the number of council members and the way in which they were appointed worked well for Alaska and did not need to be changed. He thanked Co-Chair MacKinnon for the example of the Permanent Fund Board of Trustees.

Co-Chair MacKinnon asked the committee if it was of like mind that there did not need to be a confirmation at the legislative level for the new corporation.

[9:27:06 AM](#)

Co-Chair MacKinnon relayed that public testimony had been heard previously.

Co-Chair MacKinnon MOVED to ADOPT Amendment 1 ((copy on file)):

Page 10, lines 16-17

Delete "an Alaska veterans' preference that is consistent with the Alaska veterans' preference in AS 36.30.321(f) "

Insert "the preferences of an Alaska bidder and an Alaska veteran that are consistent with the preferences in AS 36.30.32 1"

Vice-Chair Bishop OJBJETED for discussion.

Co-Chair MacKinnon explained that there was a preference in the previous version of the bill. The amendment would add the Alaska bidder preference. She thought if there was going to be a preference the others should be included.

[9:27:47 AM](#)  
AT EASE

[9:31:09 AM](#)  
RECONVENED

Co-Chair MacKinnon confirmed that the Alaska bidder preference was combined with the Alaska Veteran's preference consistent with AS 36.30.321. She wanted both preferences listed to ensure that local artists could compete with national and international artists. She would provide the definition of "Alaska bidder preference" before the bill went to the Senate floor for a vote.

Vice-Chair Bishop WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment 1 was ADOPTED.

Vice-Chair Bishop discussed the fiscal note. The fiscal note by the Department of Education and Early Development with an appropriation of commissions and boards and an allocation of the Alaska State Council on the Arts had an OMB component number of 192. It was essentially a zero fiscal note. The fiscal note removed all state funding within the state council. The funding was being transferred to the new state council appropriation. The second fiscal note, currently without an OMB component number, had an appropriation and allocation of Alaska State Council on the

Arts. The annual cost was \$2,768.5 million. The analysis indicated that the positive impact of cost reductions could not be determined until the agency restructured. Efficiencies that were anticipated in operating costs could not be quantified at present.

Co-Chair MacKinnon commented that the council received funds and leveraged other funds from out of state from the National Arts Endowment.

[9:34:10 AM](#)

AT EASE

[9:34:22 AM](#)

RECONVENED

Co-Chair MacKinnon conveyed the definition of an Alaska bidder in at AS 36.30.990:

(2) "Alaska bidder" means a person who

(A) holds a current Alaska business license;

(B) submits a bid or proposal for goods, services, or construction under the name appearing on the person's current Alaska business license;

(C) has maintained a place of business in the state staffed by the bidder or offeror or an employee of the bidder or offeror for a period of six months immediately preceding the date of the bid or proposal;

(D) is incorporated or qualified to do business under the laws of the state, is a sole proprietorship and the proprietor is a resident of the state, is a limited liability company organized under AS 10.50 and all members are residents of the state, or is a partnership under former AS 32.05, AS 32.06, or AS 32.11 and all partners are residents of the state; and

(E) if a joint venture, is composed entirely of ventures that qualify under (A) - (D) of this paragraph.

Senator Olson asked Co-Chair MacKinnon to repeat the statute reference. Co-Chair MacKinnon repeated the statute reference.

Vice-Chair Bishop MOVED to report SCS HB 137(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

SCS HB 137 was REPORTED out of committee with a "do pass" recommendation and with two previously published fiscal impact notes: FN2 (EED) and FN3 (EED).

[9:36:13 AM](#)

AT EASE

[9:38:11 AM](#)

RECONVENED

Co-Chair MacKinnon discussed the schedule for the afternoon meeting.

#

ADJOURNMENT

[9:38:35 AM](#)

The meeting was adjourned at 9:38 a.m.