

SENATE FINANCE COMMITTEE
March 21, 2018
9:02 a.m.

9:02:06 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Sheldon Fisher, Appointee, Commissioner - Department of Revenue; Juli Lucky, Staff, Senator Anna MacKinnon; Representative Sam Kito, Sponsor; Caitlyn Ellis, Staff, Representative Sam Kito.

PRESENT VIA TELECONFERENCE

William Westover, Appointee, State Assessment Review Board; Joey Sweet, Appointee, University of Alaska Board of Regents; Sara Chambers, Deputy Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Steven Trimble, Arctic Solar Ventures, Anchorage.

SUMMARY

HB 114 BOILER/PRESSURE VESSEL INSPECTION REPORTS

SCS HB 114(FIN) was REPORTED out of committee with a "do pass" recommendation and with one

previously published fiscal impact note: FN 2 (LWD).

CSHB 124 BENEFIT CORPORATIONS

CSHB 124 was HEARD and HELD in committee for further consideration.

APPOINTMENT: COMMISSIONER - DEPARTMENT OF REVENUE

APPOINTMENT: STATE ASSESSMENT REVIEW BOARD

APPOINTMENT: UNIVERSITY OF ALASKA BOARD OF REGENTS

^APPOINTMENT: COMMISSIONER - DEPARTMENT OF REVENUE

9:03:00 AM

SHELDON FISHER, APPOINTEE, COMMISSIONER - DEPARTMENT OF REVENUE, discussed his qualifications and desire to serve as commissioner of the agency. He felt privileged to serve the governor and legislature in his professional capacity as commissioner. He shared that he had served as the commissioner of the Department of Administration (DOA) and focused on finding efficiencies and improved the operations of the services the department provided the state. He discussed the shared services initiative, which was designed to streamline costs by 10 to 30 percent for common services. He discussed consolidation of information technology across the state which resulted in savings of several million dollars in the first year. He relayed that he reduced the wait times in the Division of Motor vehicles from over 45 minutes to under 13 minutes through process improvement. He implemented the Healthcare Authority Feasibility Study, which had been completed while he was commissioner of DOA.

Appointee Fisher discussed his work as commissioner-designee of the Department of Revenue (DOR). He viewed his position as being able to impact the state's economy and businesses in the state. He reminded the committee that Alaska was ranked the last in the nation for the lowest economic growth rate. He noted the fiscal uncertainty in the state and agreed that using some of the earnings from the Earning Reserve Account (ERA) was an important first step. He believed that broadening the state's tax base was another necessary step. He believed in small government and

strove to minimize costs in the operation of the agency and supported spending decreases.

9:07:01 AM

Commissioner-designee Fisher continued that it was important to try and stimulate economic growth. He mentioned that the governor had proposed the oil tax credit repurchase program that was beneficial for the economy and could be "achieved with no cost, in essence, to the state when compared to what the normal obligations would be." He reaffirmed that he continued to look for efficiencies in the department's operations. He pointed out that he was "moving aggressively" to convert the process of Permanent Fund Dividend (PFD) distribution to an online process. He addressed the backlog in the tax audit division. The oil industry had come to the department and expressed concern. He was currently unable to offer a concrete plan but wanted to assure the committee that he was examining solutions.

Co-Chair MacKinnon thanked the commissioner-designee for his service.

Senator Olson thanked Commissioner-designee Fisher for putting his name forward. He remarked that there was a large difference between working in the public and private sectors. He thought it could be problematic when a commissioner wanted his directive to prevail in the presence of disagreement within the administration. He asked Commissioner-designee Fisher how he planned to address the issue in DOR. He relayed that Commissioner-designee Fisher had made decisions that were unpopular with other commissioners in the administration. He believed that decision making within DOR was a more "volatile" situation. Commissioner-designee Fisher interpreted Senator Olson's question as whether he could be effective working in collaboration. He agreed that there was more of a hierarchical arrangement in the private sector, while in the public sector it was necessary to work more collaboratively. He did not believe he had worked uncollaboratively during his tenure at DOA and believed that he ultimately garnered broad support for changes he initiated. He thought some of the decisions made by DOA had not been popular, but the department engaged in many meetings with stakeholders and at the cabinet level to work towards consensus. Commissioner Fisher hoped that his work at DOA and DOR would not seem dictated and he did not feel

himself to be an intractable leader. He used the example of his work on the oil tax credit bill, during which he tried to listen to stakeholders and industry and listen to concerns and objections and incorporate them into the bill.

[9:14:19 AM](#)

Senator Stevens thought Commissioner-designee Fisher had a "remarkable" resume. He read the following from Commissioner-designee Fisher's resume, "Launched a \$87M ERP system - the only "major" state system delivered "On Time and On Budget" in living memory." He asked what was learned from the experience that could be applied to future projects. Commissioner Fisher thought that his success had been a result of the people he had gathered around him to assist in different tasks. He acknowledged he had success in certain areas but thought other people had also been instrumental in achieving the successes. He shared that the assessment applied to the Integrated Resource Information System (IRIS) system that happened with a very dedicated team of state employees.

Senator Micciche was impressed with Commissioner-designee Fisher's habit of listening to questions and checking for understanding. He asked for clarification regarding Commissioner-designee Fisher's opening statement regarding including broad based taxes in the revenue discussion. Commissioner-designee Fisher thought it was important for him to express his values so that the legislature could consider his appropriateness for the position. He believed the state should diversify its tax revenue base. He added that a diversified tax base would create more stability and improve the economy in the state.

[9:19:07 AM](#)

Senator Micciche asked if Commissioner Fisher was not saying where the revenue should come from or that he wanted a broad-based tax, rather the state should re-evaluate the diversification of revenue in general. Commissioner Fisher believed that the state had a structural deficit in the budget and believed that the state either had to cut spending or increase revenue. He thought there were areas in which cost-savings were available and mentioned healthcare. He believed that ultimately the state would need to deal with both expenditures and revenue.

Co-Chair MacKinnon asked whether he was attempting to be candid for both legislative bodies. Commissioner-designee Fisher answered in the affirmative and added that he wanted to remain "faithful" to his beliefs.

Vice-Chair Bishop was grateful that Commissioner-designee Fisher had accepted the job as commissioner.

Co-Chair MacKinnon added to Vice-Chair Bishop's comments and favored that the Commissioner-designee tried to provide information that was important and trusted. She relayed her confidence and trust in him and felt that he rose above the political agenda. She believed Commissioner Fisher served the people of the state remarkably well. She appreciated his tenure as commissioner and acknowledged that his experience allowed him to seek more profitable employment elsewhere.

[9:22:29 AM](#)

AT EASE

[9:22:49 AM](#)

RECONVENED

Vice-Chair Bishop MOVED to FORWARD the appointment of Sheldon Fisher in accordance with AS 39.05.080, to a joint legislative session for consideration as commissioner of Department of Revenue.

He read from the committee report as follows, "This does not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions."

There being NO OBJECTION, it was so ordered.

^APPOINTMENT: STATE ASSESSMENT REVIEW BOARD

[9:23:35 AM](#)

WILLIAM WESTOVER, APPOINTEE, STATE ASSESSMENT REVIEW BOARD (via teleconference), discussed his qualifications and desire to serve on the board. He stated that he had been appraising in the private sector and the assessment field for 25 years. He worked on complex properties including special purpose and regulated utility evaluations. He had lived in the state for over 50 years and wanted to "give

back" to the state. He thought he had the skills and experience to be of benefit to the board.

Co-Chair MacKinnon had not had a chance to review an audit on the appraisal management board. She asked if Mr. Westover had ever served on the board. Mr. Westover thought that Co-Chair MacKinnon was referring to the Real Estate Appraisal Board. He answered in the negative and indicated he had not served on any other board previously.

[9:26:02 AM](#)

Senator von Imhof noted that Mr. Westover had significant experience with real estate appraisals. She asked what type of appraisals the board would review. Mr. Westover understood that most of the properties evaluated by the board were state oil and gas properties. He explained that DOR had appraisal staff that assessed real and personal property and if the appraisal was appealed the review board reviewed the information and ruled on the state's valuation. Senator von Imhof asked if Mr. Westover felt he would need to perform background research or additional preparation to focus on the specialized subset of appraisals by the board. Mr. Westover acknowledged that he would need to review and learn about the types of assets associated with the topic but indicated that appraising concepts applied equally to all different types of properties.

Vice-Chair Bishop MOVED to FORWARD the appointment of William Westover. In accordance with AS 39.05.080, the Finance Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration of the State Assessment Review Board, William Westover. This does not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

There being NO OBJECTION, it was so ordered.

[9:29:10 AM](#)

AT EASE

[9:30:39 AM](#)

RECONVENED

^APPOINTMENT: UNIVERSITY OF ALASKA BOARD OF REGENTS

9:30:39 AM

JOEY SWEET, APPOINTEE, UNIVERSITY OF ALASKA BOARD OF REGENTS (via teleconference), discussed his qualifications and desire to serve on the board. He stated that he was a nominee for the student regent position to serve as a member on the University of Alaska (UA) Board of Regents. He related that his interest to serve was due to the changing nature of the university. He believed that the Strategic Pathways Initiative was a beneficial framework to determine the best way to offer services in a time of reduced financial resources. He offered that the student regent position lasted for a term of 2 years. He voiced that the time on the board would be relatively short, and he intended to be an active member of the board and "make the most" out of the experience. He had reached out to various student leadership groups and organizations throughout the university system. He understood that any decisions he made as student regent had a significant future impact on students well into the future.

9:33:02 AM

Senator Stevens related that he had met with the appointee the previous day and felt he was a fine student and young leader. He asked Mr. Sweet to discuss the value of a student being on the Board of Regents. Mr. Sweet asserted that the student perspective was unique within the university community. He believed that students viewed the university in fundamentally different ways compared to staff or faculty. He thought that given the university's goal of educating and graduating students the board seat was critically important. He attempted to take the position very seriously. He discussed that he helped educate students about the board's role and the effect that the decisions it made had on students. He prioritized listening to students to help inform him in his decision-making process.

9:35:24 AM

Vice-Chair Bishop MOVED to FORWARD the appointment of to a joint legislative session for consideration of the Vice-Chair Bishop MOVED to FORWARD the appointment of Joey Sweet. In accordance with AS 39.05.080, the Finance Committee reviewed the following and recommends the appointments be forwarded to a joint session for

consideration of the University of Alaska Board of Regents, Stephen (Joey) Sweet. This does not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

There being NO OBJECTION, it was so ordered.

[9:36:03 AM](#)
AT EASE

[9:37:56 AM](#)
RECONVENED

#hb114
HOUSE BILL NO. 114

"An Act relating to boiler and unfired pressure vessel inspection reports and fees."

[9:37:56 AM](#)

Co-Chair MacKinnon noted that HB 114 was previously heard in committee on March 14, 2018.

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for HB 114, Work Draft 30-LS0361\O (Bannister, 3/20/18).

Co-Chair MacKinnon OBJECTED for discussion.

JULI LUCKY, STAFF, SENATOR ANNA MACKINNON, explained that during the prior meeting there had been some confusion regarding "non-electronic forms." She worked with Legislative Legal Services and the Department of Labor and Workforce Development (DLWD) to establish the clarifying language contained in the committee substitute (CS). The changes occurred on page 2, lines 1-4. She read the following from the CS:

The department shall charge a company or special inspector a fee of \$10 for filing a report if the company or special inspector does not file the report by entering the report directly into the department's electronic inspection report system.

Ms. Lucky furthered that the words non-electronic and form were removed, and the language clarified that any entry not

made via the electronic system would be charged the \$10 fee.

Co-Chair MacKinnon asked if the sponsor had concerns with the CS.

REPRESENTATIVE SAM KITO, SPONSOR, supported the change and felt the clarification was "worthwhile."

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered.

Co-Chair MacKinnon asked the sponsor for closing remarks.

Representative Kito thought HB 114 would ultimately direct providers of the reports to a more easily accessible form and created efficiencies for the process.

[9:41:47 AM](#)

Vice-Chair Bishop MOVED to report SCS HB 114(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SCS HB 114(FIN) was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN 2(LWD).

[9:42:43 AM](#)

AT EASE

[9:45:22 AM](#)

RECONVENED

#hb124

CS FOR HOUSE BILL NO. 124(FIN)

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

[9:45:22 AM](#)

Representative Sam Kito, Sponsor, introduced the legislation. He reported that HB 124 created a benefit corporation classification for C corporations in the state.

The benefit corporation allowed for more than just a fiduciary duty to corporate activities. He provided the example of a bike shop that offered its employees paid work time for trail improvement work. In a traditional corporate structure, the individuals would be working outside of the fiduciary responsibility of the corporation risking shareholder objections. The bill allowed for the bylaws of a corporation to allow for employees to work on public service projects or engage in another manner to provide a public benefit. The benefit had to be clearly identified in the corporation's bylaws and a periodic report was required that indicated how the company was meeting its beneficial and fiduciary duties.

[9:48:40 AM](#)

Senator Stevens asked whether other states had similar laws in place. Representative Kito answered in the affirmative and estimated that 30 other states adopted similar statutes.

Senator Micciche thought the bill was interesting. He asked who defined whether the actions were beneficial, or if each company would define its "benefit." He believed that in some cases "some of these companies worked against the economy of the state of Alaska." He wondered if it was possible for the benefit to counter what others believed were beneficial. Representative Kito replied that the determination of whether the action of a company would be beneficial would be published in the articles of incorporation and bylaws, which was available for public scrutiny. He offered that a benefit would not be defined in statute or regulation.

[9:51:05 AM](#)

Senator von Imhof understood that corporations currently, through mission statements and value statements, could express its objectives and intentions. She was unsure as to what problem the bill was trying to solve. She used the example of Wells Fargo, which had a corporate giving program. The bank had employees dedicated to the program. The bank offered defined allowances for employees to work on company sanctioned events or volunteer opportunities. She wondered what the bill was attempting to "fix."

Representative Kito thought that the examples Senator von Imhof described did not violate the fiduciary responsibility the company had to its shareholders. The company had made profits and its board of directors directed some profits to the charitable activities that did not affect its "bottom-line." He advised that if a company started having employees working on non-billable hours for various beneficial projects, a complaint or lawsuit could ensue on the basis that the company was not meeting its fiduciary responsibility by paying for an employee that was not generating income. The bill attempted to protect a company whose board of directors wanted to offer company time or resources to benefit a nonprofit or some other public benefit like soup kitchens. He added that the bill could also apply to native corporations. A regional native corporation could provide resources to support its nonprofit arm without concerns over lawsuits from shareholders.

[9:54:44 AM](#)

Senator von Imhof asked whether there was a numerical threshold in the bill that addressed a level of profit the benefit corporation must maintain. She guessed that the company could be accused of being too focused on the benefit in lieu of profit and she wondered whether the benefit corporation was subject to a certain level of profit. Representative Kito answered that the line would be drawn in the bylaws of the corporation and would be the measure of accountability to its directors and shareholders. He understood that the corporation that filed as a benefit corporation would be accountable to itself in identifying the benefit it wanted to offer and how it wanted to provide it. He remarked that the board of directors would regulate whether the corporation was providing the benefit as determined by the bylaws.

Co-Chair MacKinnon asked if the sponsor knew of any cases in which a company had been sued for misusing proceeds. Representative Kito deferred the answer to his staff. Co-Chair MacKinnon asked if Representative Kito was aware of specific lawsuits that happened in other states under the terms he had discussed. Representative Kito was unaware of any lawsuits and added that he was aware that the trend was to provide corporations as many tools as possible to fulfill their mission.

Senator von Imhof voiced that the sponsor had indicated that a corporation's bylaws currently allowed them to fill any mission they wish. She did not feel a state statute was necessary. Representative Kito responded that the challenge was whether a resource of a company could be used to benefit a community versus direct profit. Currently, a company could not perform an action that did not result in a profit. The bill allowed for more flexibility in how a corporation could perform community service and be shielded from shareholder lawsuits.

Co-Chair MacKinnon asked if a benefit corporation would be required to pay corporate taxes in the state. Representative Kito replied that a benefit corporation was another classification of a C corporation with a benefit bylaw and would pay taxes and registration fees. Co-Chair MacKinnon inquired whether B corporations were required to pay taxes in the state. Representative Kito answered that the benefit corporation was a C corporation and the bill would not impact any other type of non-C corporation in the state. The benefit corporation would be subject to any applicable taxes.

[10:00:12 AM](#)

Senator Micciche asked if the sponsor could verify whether the bill would affect any liability of a C corporation to the state. Representative Kito stated that C Corporations that currently existed would not be changed at all unless they opted to become a benefit corporation. Senator Micciche asked if a C corporation chose to organize as a benefit corporation would the same tax rate paid prior to the change apply. Representative Kito answered in the affirmative and added that the only practical change would be to the corporation's bylaws and mission and would still be required and obligated to pay the same income tax.

Co-Chair MacKinnon questioned his answer. She wondered whether more items were deducted against the bottom-line of profit resulting in less corporate taxes paid to the state. She surmised that the state would lose money by creating a new category of expenses to write off from profit. Representative Kito imagined that a tax impact would be difficult to determine. He restated that his intent was "not to take corporate profits and turn them into something else." The benefit corporation status was another tool for corporations to use. He elaborated that the amount of

revenue the state received from corporate income tax and "the change in the bill was not substantial enough to make an appreciable difference." Co-Chair MacKinnon considered large oil companies that paid large amounts of taxes to the state and wondered what the impact would be if they chose to become benefit corporations. She was unsure how that would be accountable to the Internal Revenue Service (IRS). She would follow up on the issue.

[10:03:19 AM](#)

Vice-Chair Bishop referred to the last sentence of the first paragraph of the Sponsor Statement (copy on file): "Allowing the creation of benefit corporations will give business owners more choice in how to run their business and will bring to Alaska a slice of the \$6.6 trillion that is invested nationally in similar corporations." He understood that the intent of the bill was to protect the fiduciary responsibility of the shareholders. He offered a hypothetical scenario of benefit corporation employees rebuilding a playground during work hours. He deduced that the shareholders could protest that the corporation's bottom-line was not being increased by the benefit activity. Representative Kito replied that his description was exactly the type of situation the bill was attempting to protect against; a shareholder lawsuit because the employee was not fulfilling the fiduciary duty of the corporation when engaged in benefit activity.

Vice-Chair Bishop mentioned the eventuality of an employee getting injured performing benefit activity. He characterized the situation as "going down another whole rabbit trail." Representative Kito presumed that the employee would still be covered by worker's compensation and whatever insurance the corporation offered. Vice-Chair Bishop deduced that insurance premiums would rise.

CAITLYN ELLIS, STAFF, REPRESENTATIVE SAM KITO, stated that benefit corporations were formed voluntarily by a two-thirds vote of the shareholders. The shareholders endorsed whatever public good was defined by the company. She explained that benefits could include redistributing a percentage of profits or allow employees to perform benefit work. The result was a two-fold option for the business; a fiduciary responsibility and a public benefit responsibility. The bill allowed the company to prioritize its values and the shareholders were "well aware" of the

mission. The state could benefit from the \$6.6 trillion invested in B Corporations by allowing benefit corporations. She elucidated that a handful of companies in the state wanted benefit corporation status.

10:06:58 AM

Senator von Imhof asked what would stop an existing corporation from switching to a B-Corporation and then writing off more expenses claiming the work is for the common good and paying less taxes. She characterized the bill as granting allowable and legal tax breaks. Ms. Ellis stated that the bill would not change what a company could do. The bill offered protection to a company from its shareholders. The same write-offs would be available that were currently in existence as under HB 124. She reiterated that benefit corporations were voluntary, and the shareholders were aware of the bylaws.

Co-Chair MacKinnon asked whether Ms. Ellis was aware of a corporation that was sued by its shareholders. Ms. Ellis was not aware of a company sued by shareholders but offered to follow up with a definitive answer.

Representative Kito commented that the state currently offered a series of tax credits currently available to C corporations that allowed them to reduce their tax liability by donating to things like the education system. He thought the scope of the change created by the bill would be significantly smaller than any of the tax credits the state currently offered. The bill would allow a new type of community and public involvement with corporations and permit a company to define its values in its bylaws.

10:10:06 AM

Ms. Ellis addressed portions of the Sectional Analysis (copy on file):

Section 1 10.06.633(a) Establishes how corporations may be dissolved and is amended to include benefit corporations; (a8) declares that a benefit corporation is dissolved if delinquent for 6 months or more in including its benefit report in the biennial report or in paying the benefit report filing fee.

Section 2 Adds a new chapter to AS 10 Alaska corporations code, chapter 60-Benefit Corporations.

Article 1

Establishes how a business corporation may incorporate or amend its status to become a benefit corporation; that the benefit corporation shall have a purpose of creating general public benefit from all effects of its business and operations and may identify a specific public benefit; requires that any status change must be approved by the minimum two-thirds vote.

Article 2

Establishes the duties of the board and the directors and enumerates seven factors that must be considered while making decisions; clarifies that a director of a benefit corporation is not personally liable for the failure to create a general public benefit if they are acting in compliance with the chapter and in good faith.

Article 3

Directs how the board of a benefit corporation may designate a benefit director, who shall not have a material relationship with the corporation; outlines the benefit director's role, especially relating to the biennial benefit report; allows that the benefit director shall have the same role and rights as any other director of the benefit corporation.

Article 4

Directs an officer of a benefit corporation to consider the factors enumerated under the board of directors; clarifies the duties of an officer acting in good faith; and allows that a benefit corporation may designate a benefit officer, who shall have duties similar to the benefit director.

Article 5

Identifies the persons that may bring actions or claims against a benefit corporation for a failure to pursue general or specific public benefit.

Article 6

Defines what must be contained in the required biennial benefit report; requires that the benefit report must be held against a third party standard;

establishes a timeline for the delivery of the report to shareholders; requires public availability of the report; and directs the benefit corporation to file the benefit report with the department as part of their biennial report.

Article 7

Identifies the process necessary for a benefit corporation to effect a status change; allows for shareholder dissent under a status change; defines guidelines for the third-party standards; clarifies that a benefit corporation is not eligible for any tax exemptions beyond those available for a traditional corporation; and states that this chapter does not prevent a non-benefit corporate entity from considering a general or specific public benefit.

Article 8

Allows from the creation of regulations for this chapter; clarifies that this chapter does not affect non-benefit corporate entities; declares that benefit corporations are subject to Alaska corporate law unless specifically addressed; and defines terms used in the chapter.

[10:13:35 AM](#)

Co-Chair MacKinnon asked whether it was unique with corporations to "indemnify or protect" directors who act on behalf of corporations. Ms. Ellis did not know the answer and offered to provide the information. Co-Chair MacKinnon asked whether it was common to extend the protection to third parties that engaged with the director of the benefit corporation. She requested more clarity on the difference between a benefit corporation and a C corporation.

Co-Chair MacKinnon wanted the Department of Commerce, Community and Economic Development (DCCED) to provide feedback from a licensing perspective and whether the department supported the bill.

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), stated that the department had an administrative interest in the bill, but did not have a recommendation either way. She elaborated that the division

did "very little qualitative work" with corporations that were required to register. The division only collected a filing tax and the tax would not change.

Co-Chair MacKinnon OPENED public testimony.

10:17:05 AM

STEVEN TRIMBLE, ARCTIC SOLAR VENTURES, ANCHORAGE (via teleconference), testified in support of the bill. He reported that the company was Alaska's largest solar company and grew 300 percent each year since its inception in 2015. The company was expecting to build 1 megawatt of solar projects in the state through its two business locations in Anchorage. He delineated that Arctic Solar Ventures was a Certified B Corporation and was certified through an international body called B Lab that worked with other states to enact legislation creating benefit corporations. He explained that the international certification allowed his company to adopt a triple bottom-line approach to business; economic, societal and environmental. The benefit corporation legislation allowed a company to protect its certification from leadership changes and shareholders' votes. He noted that a two-thirds vote was required to become a benefit corporation and the same vote would be required to undo it. He emphasized that he wanted state protection like the 33 other states that adopted similar legislation and operate as a benefit corporation. He mentioned that he was a co-owner of a nationwide cooperative of 48 other solar companies that were certified B Corporations and were benefit corporations or in the process of becoming one. The cooperative members shared the same values and reflected a national movement. He favored adoption of HB 124 as a tool that differentiated the way benefit companies engaged in business "with the backbone that we are here to do good for Alaska." He pointed out that B corporations were held accountable by a third party through a "very rigorous assessment process." The benefit corporation status protected the certification.

10:22:04 AM

Vice-Chair Bishop asked whether Mr. Trimble would have access to more capital if the bill was to become law. Mr. Trimble answered in the affirmative and added that because his company was a certified B corporation people opted to

patronize his business, which "directly contributed" to his company's bottom-line.

Co-Chair MacKinnon asked whether Mr. Trimble could provide a copy of the third-party rigorous assessment standards that he complied with. Mr. Trimble agreed to provide the requested information from B Lab. Co-Chair MacKinnon asked if Mr. Trimble served on the board since he had an owner interest in setting the standards. Mr. Trimble clarified that he was a member of the board of the national cooperative where he was a member owner. He answered that each of the 48 solar companies had one voting member that voted in the decisions of the cooperative. The cooperative had a board of directors, but each member had one equal vote within the cooperative. Co-Chair MacKinnon asked whether he served on the board or if he was the one voting member out of the 48. Mr. Trimble responded that he was one voting member. Co-Chair MacKinnon asked if Mr. Trimble could speak further about protecting the company through leadership changes. Mr. Trimble hypothesized that if he left the company and someone else took over who did not want to engage in the benefit activity the new owner could simply change the directive without protective statutes. He emphasized that the benefit was an integral part of the way he built and operated the company and without the state's benefit corporation status leadership change could reverse everything his company accomplished.

[10:26:32 AM](#)

Co-Chair MacKinnon asked if Mr. Trimble's company competed with other corporations as an energy company. Mr. Trimble answered in the affirmative and stated that he competed with other solar companies that installed solar panels. Co-Chair MacKinnon asked if Mr. Trimble could practice as a B corporation under a C corporation and maintain the culture of his company. Mr. Trimble stated that there was nothing preventing his company from operating as a C corporation, but the issue of limited protection still existed. He detailed that his company had a publicly published scorecard through the assessment and certification of B Lab. He reiterated that he could establish a corporation like a benefit corporation in the state but lacking the protection and reporting requirements. He furthered that a corporation could claim they were providing public benefits without being required to show accountability.

[10:29:57 AM](#)

Co-Chair MacKinnon asked if Mr. Trimble was aware of lawsuits in which shareholders were challenging a director. Mr. Trimble replied in the affirmative and elucidated that Ben and Jerry's Company was subject to a hostile takeover because they were operating like a benefit corporation, before benefit corporation legislation was adopted in Vermont. A group of shareholders got together and sued the company in an attempt to take it over, which led to a lengthy and costly lawsuit that removed many of the co-founders of the company.

Senator von Imhof asked if passage of the bill would provide the ability of benefit corporations to undercut prices and compete against profit-driven competitors in order to gain market share and in Artic Solar Venture's case, in order to get customers off oil and gas through renewable energy. She asked if the bill provided an unfair business advantage because increased volumes at a lower price could yield a higher net profit. Mr. Trimble answered in the negative. He pointed out that his company was branded as a premium solar provider and were not the lowest cost option as per a "strict" company philosophy. He stressed he did not see any scenario where the benefit status could provide an unfair competitive advantage.

[10:33:01 AM](#)

Co-Chair MacKinnon CLOSED public testimony.

Vice-Chair Bishop discussed FN2 (CED) from DCCED. He detailed that the cost for FY 19 was \$22.4 thousand allocated to Corporations, Business and Professional Licensing. He read from page 2 of the fiscal note:

To implement this legislation the corporation's database will need a systems change to create a new entity indicator, new types of officials, and a new reporting requirement. A regulations project will be necessary to adopt regulations for the newly created Chapter 60, Benefit Corporations, and to amend AS 10.06.633.

If the bill passes the following expenses will be incurred:

Services: \$11.9 (legal costs to amend regulations, printing, and postage in the first year) \$10.5 (information technology services for system change)
Corporation filing fees are General Fund/Program Receipts fund source 1005 GF/Prgm (DGF). Corporation filing fees are set in regulation per AS 10 and 32, and revenue in excess of authorized budgeted expenses reverts to the State of Alaska general fund.

Co-Chair MacKinnon wondered whether the state would initially use receipts from other corporations' licensing to support the new licensure. Ms. Chambers stated that any cost incurred would be recouped in the same fiscal year from the benefit corporations. The division generated approximately \$6 million to GF each year from corporate licensing.

[10:36:47 AM](#)

Co-Chair MacKinnon asked what the filing fee for a benefit corporation was. Ms. Chambers stated that all filing fees for corporations were the same. She deemed that it was possible that if an existing C-corporation changed to a B-corporation, they would generate additional revenue due to a fee to reincorporate. She reported that the fee was \$250, which \$100 was a tax and the remainder were fees. In addition, other fees were charged for multiple required reporting. Reincorporating would generate additional revenue to the state. Co-Chair MacKinnon estimated that it would take approximately 90 new B corporations to break even or the division would utilize other corporate licensing funds. Ms. Chambers had not performed the calculation required to answer the question. She offered to provide an answer.

HB 124 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[10:39:06 AM](#)

The meeting was adjourned at 10:39 a.m.