

SENATE FINANCE COMMITTEE
March 27, 2018
9:12 a.m.

9:12:55 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:12 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

Gary Zepp, Staff, Senator David Wilson; Senator David Wilson, Sponsor; Sara Race, Director, Permanent Fund Dividend Division, Department of Revenue; Juli Lucky, Staff, Co-Chair MacKinnon; Rynnieva Moss, Staff, Senator John Coghill.

SUMMARY

SB 86 ALASKA RAILROAD CORPORATION LAND

CSSB 86(FIN) was REPORTED out of committee with a "do pass" recommendation and with one zero fiscal note: FN 1(CED).

SB 154 PFD CONTRIBUTIONS TO GENERAL FUND

CSSB 154(FIN) was REPORTED out of committee with a "do pass" recommendation with one new fiscal impact note from Department of Revenue; and with

one previously published zero fiscal note: FN 1 (ADM).

Co-Chair MacKinnon reported that it was snowing profusely in Juneau. She informed the public that the committee would be taking up SB 86. There was some confusion in the previous evening about a change in the committee substitute (CS). Nothing had changed in the CS that had been distributed, which she would discuss later in the meeting. She indicated that the Senate was not in possession of HB 286, the legislature's operating budget for the following fiscal year. Therefore, the public hearing had been cancelled for Tuesday, and she was cancelling the hearing for the bill on Wednesday as well.

Co-Chair Hoffman was hopeful that the committee would receive the operating budget as soon as possible. He was aware of difficulties the other body was having with the bill. However, he was confident the House would reach an agreement soon.

#sb154

SENATE BILL NO. 154

"An Act relating to contributions from permanent fund dividends to the general fund."

[9:14:45 AM](#)

Co-Chair MacKinnon relayed that SB 154 had been heard on February 20, 2018. The public hearing had been opened and closed. The committee had heard from several members of the public. The fiscal notes were reviewed. However, there was a new fiscal note that would be addressed later in the meeting. She invited Senator Wilson and Gary Zepp to the table.

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 154, Work Draft 30-LS0081\O (Martin, 3/21/18).

Co-Chair MacKinnon OBJECTED for discussion.

GARY ZEPP, STAFF, SENATOR DAVID WILSON, discussed the Committee Substitute (CS) for SB 154. He explained that the new CS changed to a new course. In the previous Version D, they were going to use the Alaska Community Foundation's

Pick.Click.Give. (PCG) program to set up a mechanism for Alaskans to donate their Permanent Fund Dividend (PFD) to the state's general fund. In the course of the bill's journey it had been modified (Version 0) to affect a different set of statutes (AS.43.23.015) which covered the application and proof of eligibility. There was a new section inserted, Section K, which directed the PFD Division to modify the electronic PFD webpage to allow Alaskans to donate their PFD's to the state's general fund. It allowed contributions of \$25 or more in increments of \$25 up to the total amount of the PFD that the applicant was eligible to receive. It clarified that all PFD's donated by Alaskans were subject to a 7% administrative fee paid to the PFD Division. It structured the contributions to the state general fund to appear in the following order: garnishments, the University of Alaska college savings, the PCG contributions, and the state general fund. He noted that AS.43.23.062(e) stated that the department could not use money from the fund for administrative costs incurred in implementing the section even if it had been appropriating for the cost of administering the dividend program. The bill created an easy mechanism for Alaskans to donate their PFDs partially or fully to the state general fund.

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

[9:18:14 AM](#)

SENATOR DAVID WILSON, SPONSOR, thought Mr. Zepp provided an in-depth analysis of the sectional. He believed the changes helped accommodate some of the issues, concerns, and questions that were brought up in the first hearing held in February. He was available for questions.

Senator Olson commented that there seemed to be some adamancy in not using any money for the administrative costs to implement the bill. He wondered why there was such passionate feelings about it. Senator Wilson thought that it had to do with the fiscal note and issues with the program. He thought someone from the PFD Division might be able to better address the question. He mentioned a system that might work without the use of PCG and that might not overburden the user with the fee schedule.

Senator Olson asked if the sponsor was in favor of the last-minute change to a bill he originally penned. Senator Wilson stated he was amenable to the change. He did not think it changed the intent of the bill which was to allow users to more easily donate their PFD to the state general fund.

Co-Chair MacKinnon OPENED public testimony. She shared that her office had reached out to previous testifiers to let them know the bill would be back before the committee.

Co-Chair MacKinnon CLOSED public testimony.

9:20:40 AM

Vice-Chair Bishop discussed a new fiscal note from Department of Revenue (DOR). The fiscal note reflected an appropriation for taxation and treasury; an allocation for the Permanent Fund Dividend Division; and an Office of Management and Budget component number of 981. The fiscal impact was indeterminate because revenue was unknown. It also reflected costs in the out years of \$9,600. An analysis would be required on the PFD application, as a new section would be created. It would be the third option along with the UA college savings program and the PCG Program.

Senator Bishop continued that additionally the application programming and modifications would be necessary in the division's database to update the deduction priority order. Both the general fund and the 7 percent breakdown would need to be added to the division's monthly payment reports that were generated from the financial transactions and would increase. The division would be the primary contact for all questions and concerns related to the new option.

Senator Bishop continued that revenue generated from individuals that chose to contribute all or a portion of their dividend from the program was indeterminate. Using PCG as an example, annual contributions ranged from \$25 to \$123,000. Presently, the estimated number of individuals that would contribute to the general fund were in the lower end of the range, but precisely where the general fund would fall out was unknown.

Co-Chair MacKinnon asked Ms. Race to the table.

SARA RACE, DIRECTOR, PERMANENT FUND DIVIDEND DIVISION, DEPARTMENT OF REVENUE, thought that Senator Olson's question pertained to why funds from the Permanent Fund would not be used to support the program. Although she was not there when it was initially implemented, she believed the intent was that the primary mission of the Permanent Fund was to administer dividends. The proposed legislation would be a subset of the primary mission.

Senator Micciche noted the primary purpose of the permanent Fund was to administer dividends. He asked her to restate what she had said. Ms. Race stated that the primary mission of the Permanent Fund Dividend Division was to determine eligibility and to administer dividends.

Senator Olson was glad for the clarification gleaned from the answer to Senator Micciche's question. He mentioned that the Permanent Fund Dividend Division had a large administrative force. However, when things like the PCG component, there would be significant costs associated with it. He wondered if there was enough reserve within the administration of the division to absorb the workload without any increased costs. Ms. Race relayed that in talking about the PCG program, there were two fees. Pick.Click.Give. had a fee of \$250 fee to participate in the program and once contributions were made from individual's dividends, 7 percent was collected. The bill would be a 7 percent charge collected from contributions.

[9:25:24 AM](#)

Co-Chair MacKinnon noted that there were students in the gallery. She discussed the history of the bill, which proposed to create a method for citizens to donate the entirety of their dividend. The bill proposed by Senator Wilson indicated that if people wanted to donate their PFD to state government, they should be able to do so. The original bill had it happening through the PCG program. The committee substitute created a separate process for the Permanent Fund Dividend Division but paid for it separately from the dividend fund.

Senator Micciche further explained that it was not the same as a person simply not accepting the dividend. In that case, the money would be left in the fund and divided by the remaining folks that wanted their dividend. The bill provided a system for people to be able to contribute their

dividend and have a record of it. The contribution would go into the general fund rather than staying in the dividend fund.

Co-Chair MacKinnon suggested that people check with their accountants, as the money was still taxable income. According to her research, the contribution should be a deduction on a person's taxes. Although governments were not considered non-profits, they were included in the federal internal revenue service code. The bill was trying to provide an opportunity for Alaskans to donate their PFD should they choose to in order to provide services to other Alaskans.

Senator Bishop requested a brief at ease.

[9:27:47 AM](#)

AT EASE

[9:30:47 AM](#)

RECONVENED

Co-Chair MacKinnon relayed that there had been brief dialogue about the issue and notion of whether a parent could donate their child's dividend to state government. She wanted to hear from committee members about this concept. She asked the bill sponsor to comment on the issue. Senator Wilson stated that the bill concept did not change the guardianship rights of parents, parental figures, or guardians regarding their rights to their children's PFD. A statute was already in place, AS.47.10.115, requiring that PFDs of children in custody of the Office of Children's Services (OCS) or guardianship of the State of Alaska go into a trust.

Senator Micciche did not think there was much of a difference. The current structure allowed a parent or guardian to do almost anything with their child's dividend, good or bad. He did not believe the bill changed a parent's or guardian's right to manage their children's dividend.

Senator von Imhof echoed the comments of Senator Micciche. Currently dividend checks were under the absolute control of parents to do with as they wished. She mentioned inserting a provision for children over 18. She wondered whether it would change other freedoms noted by Senator Micciche previously.

Co-Chair MacKinnon thought that if a parent was in a higher income bracket and could provide for themselves, they might want to have the additional write-off for reasons of personal decisions versus reasons of child protection. She believed the issue was raised to her as the chairman because perhaps a child would want to retain their assets but did not have a voice. She wanted to have a discussion on the issue prior to moving the bill out of committee. She asked if Ms. Race if she could offer additional perspective. Ms. Race stated that parents were currently allowed to determine where children's dividends went.

[9:35:30 AM](#)

Vice-Chair Bishop MOVED to report CSSB 154(FIN) out of Committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CSSB 154(FIN) was REPORTED out of committee with a "do pass" recommendation with one new fiscal impact note from Department of Revenue; and with one previously published zero fiscal note: FN 1(ADM).

[9:36:07 AM](#)

AT EASE

[9:40:07 AM](#)

RECONVENED

#sb86

SENATE BILL NO. 86

"An Act relating to the sale or other disposal, leasing, or encumbrance of Alaska Railroad Corporation land; and providing for an effective date."

[9:40:07 AM](#)

Co-Chair MacKinnon directed attention to SB 86. The committee had heard the bill on March 5, 2018. The public hearing was opened and closed. Multiple people testified, and the committee reviewed the fiscal note. There was a committee substitute currently before the committee. She asked for a motion.

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 86, Work Draft 30-LS0487\U (Laffen, 3/26/18).

Co-Chair MacKinnon OBJECTED for discussion.

JULI LUCKY, STAFF, CO-CHAIR MACKINNON, discussed the changes to the bill. She indicated that the Senate Finance Committee had brought up several concerns when the bill was first heard. The committee substitute was drafted to address those concerns. The first changes were on pages 1 and 2. Sections 1 and 2 were added and related to the retention of subsurface rights. It added these types of land disposals to existing law where the state retained the subsurface rights for various other land disposals. There was a 3-year sunset which was why there were 2 sections. The first section would put the section into law for 3 years in which the railroad would not have to have legislative approval. Section 2 would remove Section 1 from law once the 3-year period was over.

Ms. Lucky reviewed the next change which was on page 8. The bill sponsor rewrote the current Section 14 to codify additional specificity in the requirements prior to the disposal of land and to place a few side bars on the public notice process. One of the requirements was to determine that land was not needed for railroad purposes and that the action was in the best interest of the state (currently in law). It would be reentered into the section of law that would be in place in the 3 years that legislative approval was not needed. She also reported that there would be a minimum public notice requirement of 60 days, found on line 14, and a requirement that adjacent land owners were notified in addition to any other public process on page 8, lines 18-19. Another change that was discussed in committee but had not been added to the bill at the time it was first presented was a limit of 90 days for the exercise of the right-of-first-refusal. There was also a sentence added to the section that specified that the right-of-first-refusal was extinguished the lease holder rejected it in writing. The railroad would not have to hold it over 90 days as long as all lease holders provided their rejections in writing.

Ms. Lucky reviewed the next changes on page 9-10 of the bill. Section 17 and Section 18 were technical changes accidentally omitted from the first bill by Legislative

Legal Services. Technical drafting errors were corrected in the current version. Section 17 placed the section into the bill, and Section 18 deleted language after the conclusion of the 3-year period.

Ms. Lucky indicated that the final change that was made on behalf of the committee was the inclusion of Section 19 through Section 22 beginning on page 10 of the bill. There had been discussion about outstanding bond authority that the railroad had been granted over a period of a number of years. Much of the bond authority might have had sunsets, but there were 3 bonding authorities not needed by the railroad which the bill sponsor confirmed with the railroad. They sunset in the bill. She had reviewed all of the changes to the bill other than some technical clarifications that needed to be included.

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

[9:44:49 AM](#)

AT EASE

[9:45:10 AM](#)

RECONVENED

Co-Chair MacKinnon asked if Ms. Moss had any comments on the CS for the committee's consideration.

RYNNIEVA MOSS, STAFF, SENATOR JOHN COGHILL, stated that the sponsor was amendable to the bill moving out of committee with the changes.

Senator McKinnon asked if Ms. Moss had contacted the Alaska Railroad earlier to inform them the CS was being introduced. Ms. Moss responded that she had contacted Tim Sullivan earlier in the morning.

Co-Chair MacKinnon OPENED and CLOSED public testimony.

Vice-Chair Bishop MOVED to report CSSB 86(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 86(FIN) was REPORTED out of committee with a "do pass" recommendation and with one zero fiscal note: FN 1(CED).

Vice-Chair Bishop noted that the zero-impact fiscal note had been reviewed previously.

[9:47:09 AM](#)

AT EASE

[9:50:06 AM](#)

RECONVENED

Co-Chair MacKinnon relayed that the committee had been having a brief discussion on the following day's meeting. She cancelled the Wednesday afternoon meeting scheduled for the following day and would see if there was anything the committee could prepare for the following morning's meeting. She discussed the agenda for the following day.

#

ADJOURNMENT

[9:51:14 AM](#)

The meeting was adjourned at 9:51 a.m.