

SENATE FINANCE COMMITTEE

April 10, 2018

9:14 a.m.

9:14:04 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:14 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

Jonathan King, Staff, Senator Natasha Von Imhoff; Heidi Teshner, Director, Finance and Support Services, Department of Education and Early Development; Elwin Blackwell, School Finance Manager, School and Finance Facilities Section, Department of Education and Early Development; Britteny Cioni-Haywood, Division Director, Division of Economic Development, Department of Commerce, Community and Economic Development; Carol Thompson, Absentee and Petition Manager, Division of Elections, Office of the Governor; Libby Bakalar, Assistant Attorney General, Department of Law; Sara Race, Division Director, Permanent Fund Dividend Division.

SUMMARY

SB 157 MICROLOAN REVOLVING FUND & LOANS

SB 157 was HEARD and HELD in committee for further consideration.

SB 186 VOTER REGISTRATION & PFD APP REGISTRATION

SB 186 was HEARD and HELD in committee for further consideration.

SB 216 SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS

CSSB 216(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Education and Early Development and one new zero fiscal note from the Department of Education and Early Development.

#sb216

SENATE BILL NO. 216

"An Act relating to the calculation of state aid for schools that consolidate; relating to the determination of the number of schools in a district; and providing for an effective date."

[9:15:41 AM](#)

Co-Chair MacKinnon recalled a question from Senator Stevens regarding the cost to the state.

[9:16:04 AM](#)

JONATHAN KING, STAFF, SENATOR NATASHA VON IMHOFF, discussed a brief history of the reason for the legislation. He stated that the purpose of the bill was to promote the efficient use of Alaska's existing K-12 education infrastructure. He highlighted the sections of the bill.

Co-Chair MacKinnon wondered whether the state would pick up the cost for transportation.

[9:18:57 AM](#)

HEIDI TESHNER, DIRECTOR, FINANCE AND SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, (DEED) stated that the formula program in statute was a block grant. She stated that there would be no increase to the state, as long as the per pupil student amounts currently in statute remained unchanged. She noted that districts may see an increase in transportation costs.

Co-Chair MacKinnon queried additional comments.

ELWIN BLACKWELL, SCHOOL FINANCE MANAGER, SCHOOL AND FINANCE FACILITIES SECTION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, replied in the negative.

Co-Chair MacKinnon wondered whether the total transportation program would not increase. Ms. Teshner replied in the affirmative

Co-Chair MacKinnon surmised that the state would not be responsible for any decisions or financing required for increased transportation costs for individual schools. Ms. Teshner agreed.

Senator Micciche wondered why the bill would save the state some level of funding after year four, but was not adequately reflected in the fiscal note. Ms. Teshner agreed. She looked at page 3 of the fiscal note, which explained the reason for the lack of reflection. She stated that it was because it was unknown which schools would consolidate, in order to determine the state savings.

Co-Chair MacKinnon agreed that the fiscal note had some cost, but another that did not reflect the intended savings. She stressed that there was no increased funding from the state level.

Vice-Chair Bishop MOVED to REPORT CSSB 216(FIN) out of committee with individual recommendations and accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 216(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Education and Early Development and one new zero fiscal note from the Department of Education and Early Development.

[9:23:45 AM](#)

AT EASE

[9:26:15 AM](#)

RECONVENED

#sb157

SENATE BILL NO. 157

"An Act relating to the Alaska microloan revolving loan fund and loans from the fund."

[9:26:58 AM](#)

BRITTENY CIONI-HAYWOOD, DIVISION DIRECTOR, DIVISION OF ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, shared the purpose of the microloan fund was to promote economic development in Alaska by assisting small and micro business that may not have access to traditional financing. She stated that the access to badly needed capital would facilitate startup, expansion, and job creation in the state with specific policy emphasis on rural communities. She stated that new businesses were responsible for 80 percent of all new jobs created in the U.S. She asserted that finding ways to support and incentivize new business growth would result in the state filling some of the economic gap created in the downturn in the economy. She stated that small scale startups and businesses had difficulty securing funding, especially when they may not fit the profile of a high-growth potential business.

[9:30:25 AM](#)

Senator Stevens queried the default rate. Ms. Cioni-Haywood replied that there was currently one loan in default, at a 6 percent rate. She noted that there were only 14 loans from the fund.

Co-Chair Hoffman queried the reason for listing a fix rate, instead of points above prime. Ms. Cioni-Haywood replied that it was two percentage points above prime.

Senator Micciche surmised that there was a drop of the interest rate, because interest rates were lower than when the bill was enacted. Ms. Cioni-Haywood replied that the floor amounts had been changed to 4 percent and 8 percent. The interest rate calculation was 2 percentage points versus 1 percentage point on prime. It allowed for some additional risk with the longer term. She furthered that it would also bring the rates in line with the other programs.

Vice-Chair Bishop queried the balance of the fund capitalization, and the typical annual loan application number. Ms. Cioni-Haywood replied that the cash available

to lend was just under \$2.3 million, with 14 current loans, 33 applications, and 14 approved loans. She shared that it averaged about 2 loans a year over the last six years. She stated that the borrowers were unwilling to take on that debt risk, so extending the term will allow for more flexibility with the payments.

Senator von Imhof wanted permission to list her questions via email.

Co-Chair MacKinnon felt that putting those questions on the record may be helpful.

Senator von Imhof listed her questions.

[9:36:20 AM](#)

Senator Micciche wondered whether there was consideration of a slotted rate. He noted that there was a socializing of the risk. Ms. Cioni-Haywood replied that she would provide that information.

Senator Micciche stated that he was aware of how the program functions, but wanted to understand the change. Ms. Cioni-Haywood replied that there was an examination of the effectiveness of the program. She noted that the demand for the program was lower than expected. She asserted that the change might increase the program.

[9:42:27 AM](#)

Senator Stevens spoke in favor of the program. He queried the success of the program.

Senator Olson understood that it was important for a business to have capital. He noted that the program was created in 2012 at a time of state surplus. He queried the cost benefit ratio of the program. He assumed it was not operating in the black. He wondered whether the state could continue with the program. Ms. Cioni-Haywood replied that it was a smaller revolving fund, and most of the work was from the commercial fishing revolving loan fund. She stated that the division was self-sufficient through the interest and fees.

[9:45:37 AM](#)

Senator Olson clarified that the state operated somewhat in the black with the oversight of the state. Ms. Cioni-Haywood replied that she needed to do more analysis of the microloan fund, but the other funds had grown over time.

Senator von Imhof wondered whether there was further effort after a bank decline letter, and why the bank would not lend the money. Ms. Cioni-Haywood replied the bank denial letters must list a valid reason. She noted that lending to individuals who may not be eligible increased the risk of the portfolio, but the division often lent to nonstandard borrowers.

Senator von Imhof queried existing organizations that catered to the higher risk borrower. Ms. Cioni-Haywood agreed to provide that information.

Co-Chair MacKinnon queried a sheet that addressed the questions. She wondered how many loan agents were in the program. Ms. Cioni-Haywood replied that there were 9 officers to service all ten revolving loan funds

[9:50:34 AM](#)

Senator von Imhof surmised that it was basically one loan officer per loan.

Co-Chair MacKinnon stated that there were other loans inside of the other programs. She stressed that this loan program had 14 loans over its life, which was valued at 2. She noted that some of the other loans had more activity. She requested a larger fact sheet about all the loans.

Senator Micciche stressed that there were a number of revolving loan programs with higher value.

Vice-Chair Bishop remarked that the loans could have great benefit to small businesses.

Co-Chair MacKinnon queried Ms. Cioni-Haywood's place of residence. Ms. Cioni-Haywood replied that she live in Juneau.

Co-Chair MacKinnon asked for work to develop a presentation to examine the investments. She wanted a simple explanation of the programs. Ms. Cioni-Haywood agreed.

Co-Chair MacKinnon noted that there were audits about some of the loan programs.

Co-Chair MacKinnon OPENED public testimony.

Co-Chair MacKinnon CLOSED public testimony.

Vice-Chair Bishop discussed the fiscal note.

Co-Chair MacKinnon requested that program concerns be submitted by noon the following day.

SB 157 was HEARD and HELD in committee for further consideration.

#sb186

SENATE BILL NO. 186

"An Act relating to voter registration; and providing for an effective date."

9:58:38 AM

CAROL THOMPSON, ABSENTEE AND PETITION MANAGER, DIVISION OF ELECTIONS, OFFICE OF THE GOVERNOR, provided a brief overview of the bill. She stated that Division of Elections put forth legislation to harmonize the interaction between the permanent fund dividend (PFD) and the Division of Elections in relation to the automated voter registration law passed by ballot initiative in 2016. The ballot initiative required the Permanent Fund Division to provide the Division of Elections with the PFD electronic data of applicants who met the eligible requirements of voter registration. She explained that upon receipt of the electronic data, the division compared it with the voter registration database to target applicants considered as newly registered voters and those with update to their registration record. She stated that under current law the division was required to send by mail a notification to allow applicants an opportunity to opt out of voter registration. She stated that applicants had up to thirty days to notify the division of their intention to opt out. She stated that if the opt out notice was not received; the division would process the applications for registration accordingly. She stated that the goal of the legislation was to improve the experience of applicants registering to

vote, or updating their registration by providing the opportunity to opt out of voter registration at the time of PFD application. She stated that with the change the division could leverage existing tools and procedures already in use for processing automatic voter registrations between the Division of Elections and the Division of Motor Vehicles. The legislation would also allow for the division to efficiently manage the program, process voter registrations in a timelier manner, and reduce state expenditures by eliminating the cost of sending an expensive mailer during the 30-day opt out requirement.

Co-Chair MacKinnon felt that there were multiple problems with implementation of the initiative. The bill had an opt in provision. Ms. Thompson agreed.

10:00:50 AM

LIBBY BAKALAR, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, introduced herself.

Co-Chair MacKinnon wondered whether the bill met the voter intent of the ballot initiative. Ms. Bakalar replied that it did not.

Co-Chair MacKinnon queried the reason for that perspective. Ms. Bakalar replied that Article 11, Section 6 of the Alaska Constitution provided that an initiated law may be amended at any time, but may not be repealed by the legislature within two years of its effective date. She stated that the difference between an amendment versus a repeal was a factual question that had been litigated over the years. She stated that the case law said that an amendment that vitiates the intent of an initiative would constitute an effective repeal of that measure. She stated that it was the Department of Law opinion that changing the initiative to be "opt in" versus "opt out" would be an unconstitutional overreach to undo what the people, by initiative, had enacted in 2016. She furthered that the legislature could change to an opt in or repeal after that two year time period.

Co-Chair MacKinnon wondered what would occur without consensus to appropriately change state statute to reflect the voter intent. She asked what would occur without garnering the support to do what the people had done through initiative. She felt that there was a flaw in the

initiative. Ms. Bakalar replied that the legislature had discretion to amend the initiative in the ways that the division had proposed. She noted that a drastic change to opt in from opt out would be exceeding the legislature's constitutional authority.

[10:05:24 AM](#)

Co-Chair MacKinnon stated that she would not have a sectional analysis in the current meeting. She wanted the committee to consider the voters who had supported the initiative to register everyone through the PFD application process. She noted that all applicants data would be automatically registered based on the division's work to support the voter initiative. She asserted that all the raw data would be available to the public. She stressed that the data had mailing addresses, and sometimes email addresses and phone numbers. She stated that she had another bill related to the issue.

Senator Micciche wondered whether the department challenged the constitutionality of forcing people to register to vote through the initiative process. He felt that there must be a constitutional issue. Ms. Bakalar responded that Article 11, Section 7 of the Alaska Constitution sets four limits on the use of the initiative: 1) the dedication of revenue; 2) the making and repealing of appropriations; 3) rules of court; and 4) local and special legislation. She stated that the administration must honor the case law precedent of the Alaska Supreme Court and the Constitution. She furthered that they were not permitted prior to the election to keep measures off the ballot that did not violate the four restrictions.

Senator Micciche surmised that the privacy section of the constitution could be violated, as long as it did not violate the four restrictions. Ms. Bakalar replied that there was a difference between a pre-election review and a post-election review. She noted that there were constitutional challenges to an initiated law may be made after it's enacted.

Co-Chair MacKinnon wondered whether statutory foundation must be made before the challenge. Ms. Bakalar replied that regulations could be challenged. She remarked that the division's intent of the bill could not be accomplished by regulation.

Senator von Imhof remarked that an unintended consequence of the ballot initiative was the public display of personal data. She wondered whether it was known at the time of the election. She did not recall in her PFD application that there was a notification that the information would be shared with the division of elections.

10:11:12 AM

Co-Chair MacKinnon remarked that her other bill addressed privacy. She stated that the bill currently discussed. Ms. Thompson stated that the current version of the bill was a change from "opt out" to "opt in."

Ms. Bakalar furthered that there was an amendment proffered by Senator Coghill in the Senate State Affairs Committee.

Co-Chair MacKinnon noted that it was her job to measure actions by the law after voter initiatives were passed by voters. She asserted that there was another conversation about voter privacy.

Senator von Imhof noted that the 2018 PFD application was closed, and there was also an election in 2018. She noted that all applicants for the current year's PFD automatically registered to vote with the application for the PFD. Ms. Bakalar deferred to Ms. Thompson.

Ms. Thompson replied in the affirmative.

Senator von Imhof shared that a letter from the governor stated that the bill would make harmonizing amendments governing record sharing procedures from the commissioner of the Department of Revenue (DOR) to the director of the Division of Elections. She queried the current harmonizing record exchange. Ms. Thompson replied that "harmonizing" meant that the data could be accessed from the Permanent Fund. She shared that there was a hope to provide information to the applicants to the PFD.

10:15:28 AM

Senator von Imhof surmised that the data would be given to the Division of Elections. She wondered when that data would be made public. Ms. Thompson replied that it would be available when data entry was complete. She stated that the

division was currently in the process of the 2018 period, and the first letters would be sent. There would then be thirty days to respond to that mailer. She explained that after that thirty days, data entry would begin to be entered into the database. She stressed that anyone could call and receive that information to request voter lists.

Senator von Imhof wondered whether the letters would provide an option to "opt out." She asked whether they had thirty days to determine how the data would be shared after the PFD application. She queried the current options for someone to opt out. Ms. Thompson replied that a person could complete the mailer, call, or send an email. Once that occurs, the person would be removed from the list to be included in the voter registration.

Co-Chair MacKinnon wanted to know what was included in the letter. Ms. Thompson replied that it stated that it would be a notice of automatic voter registration.

Co-Chair MacKinnon expressed concern about the privacy issue. She remarked that there may or may not be a reason for a person to not be registered to vote. She shared that someone in her community had chosen not to vote in order to avoid harassment from a family member. She stressed that there were people who did not want their information public, and the initiative bypassed that process. She remarked that it violated their rights to privacy. She felt that the state had not adequately responded to that concern. She wondered how people would be able to see that mailer. Ms. Thompson agreed.

[10:20:01 AM](#)

Vice-Chair Bishop wondered whether the administration had considered another way of informing the public of the opt out option. Ms. Thompson replied that she would consider that idea.

Co-Chair MacKinnon shared that the letter from the division stated that someone did not need to be a registered voter, so one could opt out of voter registration. Ms. Thompson agreed.

Co-Chair MacKinnon shared that her bill would allow for voter registration, but would blind the data.

Senator Micciche fundamentally disagreed with a paper opt out going to the people of Alaska. He felt that people may have the lowest voter turnout in the history of the United States. He remarked that there were still many Alaskans who preferred to respond through the mail.

Co-Chair MacKinnon recalled that the division was in the process of data entry from the PFD application. Ms. Thompson replied that it had not begun, but the mailer would be sent out in the current week.

Co-Chair MacKinnon surmised that the state would get the address from somewhere. Ms. Thompson agreed. The PFD application raw data would be compared with the voter registration data to develop the pool of targeted people.

[10:25:05 AM](#)

Co-Chair MacKinnon stated that the people would not be in the Division of Election database until the thirty days had elapsed. Ms. Thompson replied that it would range around forty days.

Co-Chair MacKinnon wondered whether the names would be deleted from the PFD application. Ms. Thompson replied that the names would be removed as soon as the notice to opt out was received.

Co-Chair MacKinnon wondered whether a person had to file the paperwork every year. Ms. Thompson replied in the affirmative.

Co-Chair MacKinnon felt that it was another problem for an individual.

Vice-Chair Bishop queried efforts with the Division of Elections to enhance security. Ms. Thompson could not speak to that question.

Senator Micciche expressed concern with the constitutional changes in the bill. He felt that changing the contact methods could be regarded as a constitutional issue. He wanted every Alaskan to participate in the voting process, but knew that some people did not participate. He felt that there should be many opportunities, and stated that he had concerns with the bill.

Co-Chair MacKinnon OPENED public testimony.

Co-Chair MacKinnon CLOSED public testimony.

Vice-Chair Bishop addressed the fiscal note.

Co-Chair MacKinnon queried perspective on the most recent version F the bill.

10:30:24 AM

SARA RACE, DIVISION DIRECTOR, PERMANENT FUND DIVIDEND DIVISION, noted that there would be an updated fiscal note. She stated that there would be a zero fiscal note, because funds would be used from a capital project. She stated that the division was an information data center that would pass information in administering the PFD.

Senator Micciche wondered how one enjoyed volunteering a person who issues PFDs to working for the Division of the Elections. Ms. Race replied that the role of the division was to help people understand that they could answer questions about the PFD, but questions about voter registration should be directed at the Division of Elections.

Co-Chair MacKinnon wondered whether there were other provisions that had an opt out within the PFD application. Ms. Race replied that it was the only automatic option that would be part of the PFD application.

Co-Chair MacKinnon recalled that there was an issue of the data being accessible to the general public, and the legislature had provided an opportunity for peoples' information being blocked, or was there was a specific for vulnerable people. Ms. Race replied that PFD was considered confidential information in statute. The only information that could be released is the individual's first and last name. She furthered that a yes or no answer could be provided when inquired whether an individual had applied or not.

Co-Chair MacKinnon felt that there would be a quandary in state statute, because there was an initiative to expose data of those who had originally petitioned the state to protect them. She wondered whether there was recollection

of that conversation. Ms. Race replied that she was not part of that conversation. She furthered that there had been individuals who approached the division asking similar questions.

[10:35:42 AM](#)

Co-Chair MacKinnon remarked that all that data was now exposed because of the initiative process. Ms. Race replied that the division provided seven data elements to the Division of Elections: the applicant's name and sex; the applicant's Alaska driver's license or social security; the applicant's date of birth; the applicant's residence address; whether the applicant was a U.S. citizen; the date of application; and the applicant's marker signature.

Co-Chair MacKinnon wondered whether the social security number was protected as it travelled between the divisions. Ms. Race replied in the affirmative, because the information was through the state's secured system.

Co-Chair MacKinnon asked whether both the driver's license and social security number would travel between the divisions. Ms. Race replied that she believed that it was either one or the other.

Senator Micciche asked how many PFDs were paid in the previous year. Ms. Race replied that she believed that there were 630,000.

Senator Micciche wondered how many of those PFDs were mailed out of state. Ms. Race agreed to provide that information.

Senator Micciche understood that there were some military members who had not lived in the state for many years. He wondered how often and for how long those military members had to return to the state. Ms. Race replied that there were several different eligibility requirements, which depended on how long an individual had been out of the state. She stated that it could be 72 hours or an accumulation of 30 days.

Co-Chair MacKinnon wondered whether that was a timeframe to return to the state. Ms. Race agreed.

Senator Micciche asked whether people were automatically signing people to register to vote who had been gone from the state for many years due to those eligibility requirements. Ms. Race replied that there was a focus on those with a physical address in the state. She stated that there was a potential for individuals who were still reporting a physical address.

Co-Chair MacKinnon queried challenges in implementing the voter initiative. Ms. Race replied that it stepped the focus outside of eligibility and focusing on dividends. She noted that there was extensive work with the Division of Elections to develop a successful data transfer.

Co-Chair MacKinnon wondered whether people who had applied for a dividend may be in "limbo" until they could be finalized. Ms. Race replied in the affirmative.

Co-Chair MacKinnon asked whether the initiative specified "receive a dividend", "apply for a dividend", broader language. Ms. Race replied that she believed that the initiative said, "apply for a dividend", and did not speak to the eligibility process.

Co-Chair MacKinnon stressed that the intent of the bill was to increase voter turnout. She remarked that there were some challenges in implementing the voter initiative.

Co-Chair MacKinnon discussed the afternoon meeting's agenda.

SB 186 was HEARD and HELD in committee for further consideration.

ADJOURNMENT
[10:42:37 AM](#)

The meeting was adjourned at 10:42 a.m.