

SENATE FINANCE COMMITTEE  
April 25, 2018  
9:29 a.m.

9:29:22 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:29 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

Leslie Ridle, Commissioner, Department of Administration;  
Kathy Lea, Chief Pension Officer, Department of Administration; Representative Neal Foster, Sponsor; Paul LaBolle, Staff, Representative Neal Foster; Kathie Wasserman, Executive Director, Alaska Municipal League; Representative Geran Tarr, Sponsor; Diana Rhodes, Staff, Representative Geran Tarr.

PRESENT VIA TELECONFERENCE

Rob Johnson, Chair, Alaska Retirement Management Board, Anchorage; John Korta, Mayor, City of Galena, Galena; Amy Seitz, Alaska Farm Bureau, Soldotna.

SUMMARY

HB 47            MUNICIPAL PERS CONTRIBUTIONS/INTEREST

HB 47 was HEARD and HELD in committee for further consideration.

HB 217 LOCAL FOOD GOV PROCUREMENT; FARM TOURS

CSHB 217(FIN) was HEARD and HELD in committee for further consideration.

CSHB 306(FIN)  
PERS/TERS DISTRIBUTIONS

CSHB 306(FIN) was HEARD and HELD in committee for further consideration.

#hb306

CS FOR HOUSE BILL NO. 306(FIN)

"An Act relating to disbursement options under the Public Employees' Retirement System of Alaska and the Teachers' Retirement System of Alaska for participants in the defined contribution plan; and providing for an effective date."

[9:30:22 AM](#)

LESLIE RIDLE, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, conveyed that the Alaska Retirement Management (ARM) Board asked the administration to introduce the bill. She explained that the Defined Contribution Committee of the ARM board worked to assure that anyone under the defined contribution plan could retire with a good pension. She stated that currently, all the products that a retiree could receive through the defined contribution plan were not listed in statute. She lamented that this limited flexibility of what could be offered to retirees that would allow for a lasting pension and secure financial future in retirement. She said that those with supplemental benefits system benefits as well as deferred compensation benefits had retirement options that were written into regulation and were flexible in their product offerings. The ARM board had asked for a bill that would allow for products to be offered through regulation for those under the defined contribution plan. She shared that the change would not be of cost to the state and there would be no actuarial change in the plan.

[9:33:28 AM](#)

Co-Chair MacKinnon asked whether it had been written into the bill that there would be no cost to the state for the plan.

KATHY LEA, CHIEF PENSION OFFICER, DEPARTMENT OF ADMINISTRATION, replied that it was not in the bill specifically, but within the plan itself, all the disbursement options were up to the participant. She related that any cost associated with the participant's choices would be borne by the participant.

Co-Chair MacKinnon asked whether the administration would oppose language that stipulated that the change in statute would not be of cost to the state.

Ms. Lea responded that the administration would not oppose such language.

[9:34:47 AM](#)

Senator Micciche asked for examples of payment choices that would be different from what currently existed.

Ms. Lea detailed that current options included a lump sum payment, a bi-annual lump sum payment, or an annuity payment that was designed in the 1980s. She relayed that new products under review by the ARM board included a qualified lifetime annuity contract, which would allow for a deferred portion of up to \$125 thousand to be paid when the retiree was 80 years old. This was a method to hedge against longevity risk. She related that a guaranteed lifetime withdrawal option would allow a participant to ensure their balance; at the time the participant retired, the highest balance they had in the plan during the time they had been in that option, would be what their monthly payment was based on. She added that if after retirement the account balance grew, they would get the benefit of the higher amount and would be protected against market cycling risk.

[9:36:27 AM](#)

Vice-Chair Bishop considered that the bill offered options for guaranteed lifetime income.

Ms. Lea answered in the affirmative.

Vice-Chair Bishop stated he supported the defined benefit option. He thought if the bill became law, it would give an individual an option to have guaranteed benefit.

Ms. Lea stated that some of the choices could mimic a defined benefit option.

[9:37:37 AM](#)

Senator von Imhof referenced her experience in finance and understood the products. She referenced Vice-Chair Bishop's comments and agreed that a product could mimic the defined benefit option but cautioned that investment cycles could vary to a degree that it could risk a person outliving funds. She referenced page 2, line 11 of the bill, which provided options for people that fit their specific life needs but felt discomfort with the suggestion that a plan could be designed that would provide a person benefits for the rest of their lifetime.

[9:39:25 AM](#)

Senator Micciche wanted to clarify the intent of the bill. He stated that the bill allowed for products to be offered in regulation. He stressed that the bill provided the ability to list products available to retirees in regulation.

Commissioner Ridle agreed. She added that the bill mimicked what was currently done with the supplemental benefit system and deferred compensation; when a person retired, they had different options in regulation for those plans.

[9:40:29 AM](#)

Vice-Chair Bishop surmised that the bill would provide an additional tool for an employee participating in the state retirement plan.

Ms. Ridle answered in the affirmative.

Senator Stevens stated that many individuals had retired under the defined contribution plan and could not go back and renegotiate their retirement benefits under any new extended benefit plan.

Ms. Lea stated that if an individual had removed their contributions from the plan, it would not be possible to renegotiate; however, if an individual's contributions were still in the plan, depending on the type of option the ARM board chose, they could be able to take advantage of the new options.

[9:41:51 AM](#)

Ms. Lea addressed the Sectional Analysis (copy on file):

**Section 1:** Amends AS 14.25.420(a) to allow for distribution options for participants in the Teachers' Retirement System (TRS) defined contribution plan to be authorized by regulation.

**Section 2:** Amends AS 39.35.820(a) to allow for distribution options for participants in the Public Employees' Retirement System (PERS) defined contribution plan to be authorized by regulation.

**Section 3:** Adds section to the uncodified law to allow the Department of Administration to adopt regulations as necessary to implement this legislation.

**Section 4:** Establishes an immediate effective date.

[9:43:00 AM](#)

Co-Chair MacKinnon asked whether the choosing of an immediate effective date would change the actuarial assumptions for any of the plans.

Ms. Lea answered in the negative and reiterated that all the costs were borne by the participants; there would be no impact to the plan.

Co-Chair MacKinnon asked whether there was a reason that a fiscal year was not chosen for implementation.

Ms. Lea stated that the immediate effective date was chosen based on the deliberation schedule of the ARM board on what type of options could be chosen and whether the current options could be expanded. She added that regulations to add new options would not occur until the ARM board had gone through deliberations, had public hearings, and made decisions on which new options to provide.

[9:44:11 AM](#)

Vice-Chair Bishop commented that even without knowing about the potential products, he considered that the change could help with employee retention.

Co-Chair MacKinnon directed attention to the fiscal note.

Vice-Chair Bishop addressed FN 2 from the Department of Administration, OMB Component 64. The fiscal note carried zero fiscal impact. He read from the analysis:

This change will allow more flexibility to the Plan Administrator, with adoption by the Alaska Retirement Management Board, to add new options as they become available and are of benefit to participants. Future disbursement options will go through the regulatory process with public notice to all stakeholders and interested parties.

This legislation will have no actuarial impact to the TRS or PERS since any costs incurred when electing a distribution option is borne by the participant. Therefore, the agency submits a zero-fiscal note.

[9:45:49 AM](#)

Co-Chair MacKinnon OPENED public testimony.

[9:46:21 AM](#)

ROB JOHNSON, CHAIR, ALASKA RETIREMENT MANAGEMENT BOARD, ANCHORAGE (via teleconference), thought that Vice-Chair Bishop had summarized the intent of the bill. He thought the bill would provide more tools and options for retirees. He pointed out that the bill would have no additional costs to the state. He noted that the ARM board had unanimously supported the expansion of options as outlined in the bill.

Co-Chair MacKinnon reiterated her question concerning the immediate effective date.

Mr. Johnson understood that the immediate effective date would not have an immediate effect. He explained that the effective date would allow for the process to begin immediately.

CSHB 306(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair MacKinnon advised that proposed amendments were due the following day at noon.

[9:49:16 AM](#)

#hb47

HOUSE BILL NO. 47

"An Act requiring certain municipalities with a population that decreased by more than 25 percent between 2000 and 2010 that participate in the defined benefit retirement plan of the Public Employees' Retirement System of Alaska to contribute to the system an amount calculated by applying a rate of 22 percent of the total of all base salaries paid by the municipality to employees of the municipality who are active members of the system during a payroll period; authorizing the administrator of the defined benefit retirement plan of the Public Employees' Retirement System of Alaska to reduce the rate of interest payable by certain municipalities that are delinquent in transmitting employee and employer contributions to the retirement plan; and providing for an effective date."

[9:49:16 AM](#)

Co-Chair MacKinnon offered a brief history of the bill in committee.

REPRESENTATIVE NEAL FOSTER, SPONSOR, stated that the bill would provide relief for communities that paid into the PERS system and had lost more than 25 percent of its population since the last census. He said that the relief would be provided by resetting the minimum payments for the 2008 salary levels to the 2012 salary levels. He used the example of Galena, which had lost 30 percent of its population, reflected in the last census, due to the closure of the Air Force base. He shared that municipalities had to pay into the PERS system based on one of two alternatives: an amount based on their current salary level or an amount based on what their salary level was in 2008, referred to as the 2008 salary floor. The floor was established when the legislature polled municipal

PERS systems in 2008 and existed under the rationale that local governments usually grew rather than shrinking. He explained that the problem in Galena had been that the salary level had shrunk from \$1.5 million in 2008 to \$770,000 in 2012. According to the PERS system, Galena still had to make contributions into the PES system as if it had a \$1.5 million workforce. He lamented that Galena did not have the resources to pay into the retirement system for workers that they did not have and could continue to let their PERS bill grow or close their city office. He hoped that the bill could foster a compromise that would provide Galena with some relief.

[9:53:00 AM](#)

PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, stated that the reason for Galena's shrinking workforce was the removal of the Air Force Base. He informed that state law did not allow for bankruptcy for municipalities, nor could cities dissolve unless debts were paid, which would leave the state responsible for the unfunded liability the city had amassed.

Senator Stevens asked whether any other communities in the state faced similar problems and whether there was any assistance from the military when communities faced the closure of a base.

Mr. LaBolle stated that there were five communities that fit the definition of population loss as defined by the bill. He listed Pelican, St. George, and Galena as three that were affected. He said that when the Air Force base moved out of Galena assets had been left with the city.

[9:55:19 AM](#)

Senator von Imhof found the legislation compelling.

[9:56:35 AM](#)

Co-Chair MacKinnon pondered the economic impact on a community losing a military installation. She wondered whether there could be any help on the federal level. She asked whether termination studies had been done for Galena to determine the total liability.

Representative Foster addressed how the federal government had been involved in Galena. He noted that the Air Force had left over 1 million gallons of heating fuel, which was now largely gone. He said that no other financial resources had been bestowed on the community.

Co-Chair MacKinnon wondered about the fairness issue of the state picking up the cost for this small community verses others.

Mr. LaBolle stated that Galena had not done termination studies. He said that SB 25 had two components: the termination studies and the 2008 floor. Galena was currently only affected by the floor. He shared that the total debt, to date, was \$1.5 million; changing the floor would bring their minimum payment to \$775 thousand. He added that the payroll had grown to just over \$1 million, with the 2008 floor of \$1.5 million.

Co-Chair MacKinnon observed that the state would pick up the difference of approximately \$133 thousand in perpetuity.

Mr. LaBolle deferred to the Legislative Finance Division.

[10:00:31 AM](#)

Senator Olson wondered whether there was an alternative way to keep the city functioning if the bill did not pass.

Representative Foster replied that he knew of no alternative. He noted that the Galena Interior Learning Academy was an asset and a hub in the community and coordinated work on renewable energy and water and sewer issues. He reiterated that there were no immediate alternatives to the city office.

Senator Olson thought the importance of the city office in Galena was sizable.

[10:02:25 AM](#)

Vice-Chair Bishop commented it was still unknown where the employees from Galena had gone and whether they were working in another PERS system. He noted that the school in Galena had a 100 percent graduation rate.

10:03:11 AM

Senator Stevens asked about what happened if the population returned to prior levels.

Mr. LaBolle stated that if the population grew and there was a corresponding growth in municipal government, the actuals would be paid versus the floor.

Senator von Imhof asked about the total population for the three towns.

10:03:55 AM

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10:05:30 AM

RECONVENED

Mr. LaBolle relayed the populations for the following areas:

Anderson: 246  
Atka: 61  
Galena: 470  
Pelican: 88  
St. George 102

Senator von Imhof pointed out that Pelican had an employer number of 200.

Mr. LaBolle stated that the number was a code for identifying the positions.

Senator von Imhof referenced communities with percentages under 25. She asked whether the sponsor had considered a rubric with which to evaluate communities that would benefit from the state's relief. She considered how to afford the implementation over the long-term, and whether there were multiple funding sources. She urged the sponsor to develop a rubric.

10:08:09 AM

Co-Chair MacKinnon asked about the population size of Anderson.

Senator Stevens replied that that population of Anderson was 246.

Co-Chair MacKinnon corrected her previous statement about the fiscal note and what the state would owe in perpetuity. She corrected that the fiscal note reflected a timespan of 20 years to pay down the interest and the current obligation. She noted that there was a defined end to the contributions. She added that the contributions that the cities had to make were effected by the size of the payroll and not necessarily the number of employees. She felt that it was important to understand the employee change in each community versus the population drop. She reiterated previous testimony that the population in Galena had dropped 30 percent and that there was a \$1.5 million payroll in 2008.

Mr. LaBolle affirmed the numbers were correct.

Co-Chair MacKinnon continued that the \$1.5 million payroll of Galena had been reduced by half to \$750,000 in 2012.

Mr. LaBolle answered in the affirmative.

Co-Chair MacKinnon thought that in considering the bill it was important to recognize the payroll numbers and whether the state government grew or declined. She reiterated the need for a termination liability study of the system at the current payroll. She referenced the fiscal note which reflected expected small increases to the payroll in Galena. She spoke to the effective date written into the bill, which would alleviate the cities contributions for 2017, and make that a state responsibility with the new floor. This required a supplemental request of \$148,000 in addition to the \$141,000 of reoccurring operating costs.

[10:13:01 AM](#)

Senator Micciche wondered what the effect would be if the \$148,000 was amortized in future years rather than placed in the supplemental budget.

Co-Chair MacKinnon said that if the supplemental was not provided there could be a shortfall in the calculation that could hit the state differently on the retirement system and the state's obligation. She thought that if the supplemental was not going to pass then the effective date

would need to be changed, which would affect the fiscal not on the reoccurring operating cost line, or the liability would go up and local communities would experience a higher interest rate over the amortization period.

Ms. Lea agreed with that assessment.

Co-Chair MacKinnon concluded that the bill would positively impact affected cities because they would not owe the additional contribution or the interest payments to the state - even though the fiscal year was nearly at an end.

[10:14:29 AM](#)

Mr. LaBolle added that the existing liability of \$1.5 million would remain on the books after passage of the legislation.

Co-Chair MacKinnon countered that the fiscal note showed an outstanding liability of \$1,099,633.35 from Galena. She believed that the issue merited further discussion.

[10:15:14 AM](#)

Mr. LaBolle said that Section 1 of the bill contained enabling language that corresponded to Section 4. He addressed the Section 2, where the 2008 floor was adjusted to establish a new floor for the effected communities of FY12. He spoke to Section 2, subsection (B):

(B) June 30, 2012, if that total is less than the total under

(A) of this paragraph, and the employer is a municipality in which the population decreased by more than 25 percent between 2000 and 2010, according to the decennial census conducted by the United States Bureau of the Census.

Mr. LaBolle relayed that Section 3 contained conforming language. He said that Section 4 would allow for the PERS administrator to negotiate the delinquent interest rate. He furthered that bill would allow the administration to negotiate an interest rate for delinquent payments. He concluded that Section 5 was the effective date.

[10:17:10 AM](#)

Co-Chair MacKinnon OPENED public testimony.

JOHN KORTA, MAYOR, CITY OF GALENA, GALENA (via teleconference), testified in support of the bill. He discussed the closure of the Air Force base, which had been a significant source of employment for Galena residents. He said that in 2000, Galena had 675 residents, 470 in 2010, resulting in the 30 percent decline. He furthered that in 2013, ice dammed the Yukon River, which led to a federal disaster declaration. He relayed that the 2008 floor had been established to prevent a municipality from gaming the PERS system by contracting out work previously done by municipal employees, in order to avoid making ongoing contributions to PERS. He related that the current minimum PERS contribution was based on 2008 salaries, the law had not accounted for Galena's unexpected situation and had not contemplated municipalities with sharply declining populations. He stated that HB 47 only affected communities that faced a minimum 25 percent decline in population between 2000 and 2010. He asserted that the bill would simply replace the 2008 floor with the 2012 floor. He stated that Galena was currently paying contributions based on the 2008 floor, which represented a population substantially larger than the actual population. He lamented that the cities required PERS contribution approached half of the cities entire current payroll. He shared that the FY08 salary total had been \$1,513,365.19 for 36 employees, making their annual PERS contribution \$332,940. In FY 12, Galena's payroll was \$765,776 for 17 employees. He reiterated that under the current 2008 floor, Galena's annual minimum contribution was over half of their entire payroll costs. He warned that if action was not taken, the differential would continue to create an ever-increasing obligation. He stressed that the cities financially situation was so severe that in FY 11, a low interest loan from the Alaska Bond Bank had to be secured for heat and electricity in the city.

[10:21:19 AM](#)

Mr. Korta continued that HB 47 did not undermine the underlying policy goals of the existing PERS structure but helped ensure that municipalities remained able to contribute to PERS, while recognizing that the city could not make a contribution based on a larger population. He noted that Galena had continued to pay 100 percent of its annual obligation of 22 percent to PERS for its actual payroll.

10:24:06 AM

Co-Chair MacKinnon asked the testifier to submit any written testimony.

Co-Chair Hoffman asked about the status of the municipal bond bank loan taken out in 2011 to pay for fuel.

Mr. Korta estimated that the loan balance was over \$1 million. He said that all payments had been made on time.

Co-Chair Hoffman asked how long the borrowed \$1 million from the bond bank had been expected to last to pay for heating fuel and electricity.

Mr. Korta stated that the city had to do some restructuring after the closure of the base, which he believed was closer to \$2 million. He said that the city had paid down that obligation and had stabilized since the restructure.

Co-Chair Hoffman asked whether the community of Galena had an annual audit.

Mr. Korta answered in the affirmative.

Co-Chair Hoffman asked that the last 3 years' audits be made available to the committee.

10:26:03 AM

Senator von Imhof looked at the city manager's testimony (copy on file). She indicated that the salary in 2008 was approximately \$1.5 million, and the salary in 2012 was about \$765,000; yet both years the city had paid the same PERS contribution of \$332,000 for both years despite the salaries going down by half.

Mr. Korta agreed.

Co-Chair MacKinnon asked whether the contributions had been paid or owed.

Mr. Korta replied that the city had been paying actual contributions but not paying on the accruing interest.

Senator von Imhof asked whether the \$332,000 included the accruing interest.

Mr. Korta deferred to the city manager.

Senator von Imhof understood that under a hypothetical in the letter, the actual payroll should have been \$164,000, with a difference of \$150,000.

Co-Chair MacKinnon thought that without a termination study to reduce and pay to the plan the amount owed to a person who retired, Senator von Imhof was correct. She thought it was accurate when Vice-Chair Bishop stated that if the employees moved to another state system, the employees would continue to contribute to costs in the state system.

[10:29:14 AM](#)

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, testified in support of the legislation. She informed that that league had been working on retirement termination studies and below the floor costs since SB 25 went into effect in 2008. She asserted that many smaller committees in the legislature did not have a full understating of PERS issues, which made passing legislation difficult. She said that when she was mayor of Pelican, and the population had dropped, the community had lost many people from all areas of the workforce. She lamented that the state could only expect so much from communities with no money and no tax base.

[10:32:53 AM](#)

Co-Chair MacKinnon CLOSED public testimony.

Senator Micciche requested the audit information and information on the city's tax base.

Mr. Korta replied that he would need a physical address to send the information to.

Co-Chair MacKinnon provided the address.

Co-Chair MacKinnon stated that proposed amendments due the following day at noon.

HB 47 was HEARD and HELD in committee for further consideration.

#hb217

CS FOR HOUSE BILL NO. 217(FIN)

"An Act relating to civil liability for risks inherent in farm touring; relating to the state and municipal procurement preferences for agricultural products harvested in the state and fisheries products harvested or processed in the state; relating to merchandise sold and certain fees charged or collected by the Department of Natural Resources; and providing for an effective date."

[10:34:29 AM](#)

REPRESENTATIVE GERAN TARR, SPONSOR, believed that issues related to agriculture were important in discussions about diversifying the state's economy. She offered background information from the Sponsor Statement:

More than 95% of Alaska's food is imported, yet farmers in Alaska are ready and motivated to increase production. From 2007 to 2012, direct sales in Alaska grew by 32% - 13 times the national average.

In 2017, the Farm Bureau and Division of Agriculture launched a statewide campaign to encourage every Alaskan to spend just \$5/week on Alaska Grown products, year-round, to generate \$188 million for Alaska's economy.

Retailers include Carrs-Safeway, Walmart, Fred Meyer, and Save-U-More. With expectations of further market growth in 2018, Bell's Nursery plans to increase production of tomatoes and cucumbers by 20 percent and the Alaska Flour Company added products to 23 additional retailers throughout the state.

Alaska's farmers markets are also growing. In 2005 the Division of Agriculture listed 13 markets in Alaska. In 2014 that number grew to 37, and in 2017, there were 41, with more in planning stages. Market sales include:

- Tanana Valley Farmers Market (Fairbanks) - \$1.25 million
- Homer Farmers Market (Homer) - \$500,000
- Kodiak Farmers Market (Kodiak) - \$100,000
- Mountain View Farmers Market (neighborhood market in Anchorage) - \$19,000

Representative Tarr discussed the genesis of the bill. She said that the effort was to increase direct producer to consumer sales, eliminating the need for a middle man. She shared that the Department of Environmental Conservation was working with farmers on a pilot program for expanded sales of cottage food products online.

Representative Tarr stated that as the bill transitioned, short term policy changes that would benefit farmers came to light. She discussed the receipt authority for the Department of Natural Resources to collect the fee for the promotional use of the "Alaska Grown" logo. She explained that the department would buy more promotional Alaska Grown materials wholesale and then distribute them to farmers. She added that the department would reinvest proceeds from the materials into the Alaska Grown program.

Representative Tarr discussed procurement, which she had worked on for four years. She spoke of the Alaska Product Procurement Preference statute, which said that a state procurement officer buying food product would be directed to buy the lowest priced product but could spend up to 7 percent more on Alaskan products. She said that she had requested an audit of the statute in order to fully evaluate the effectiveness of the statute. She relayed that the audit revealed several challenges: the price problem, getting farmers on the preferred vendors list, and not having enough seasonal availability. She shared that the bill added "may spend" up to 15 percent. She stressed that the bill did not require additional spending but would make purchasing Alaskan grown products easier.

[10:40:49 AM](#)

Representative Tarr used the example of an anchor tenant and smaller shops in a mall environment. She said that if farmers had a solid wholesale opportunity, they would be more likely to sell at a less than retail price because of the size of the contract. She asserted that farmers would grow more if they had assurance that their goods would sell. She believed that the bill would open greater opportunities for Alaskan farmers and would keep state dollars in-state. She relayed that there was a new trend in farm touring and believed that Alaskan could cash in on the activity. She stated that farm tour language had been added to statute, with protections form civil liability.

10:44:19 AM

Representative Tarr thought that the activities listed in the bill were low risk for farmers.

10:45:05 AM

DIANA RHODES, STAFF, REPRESENTATIVE GERAN TARR, addressed the Sectional Analysis (copy on file):

**Section 1 -Amends powers of Commissioner of Department of Natural Resources to sell promotional merchandise related to the Alaska Grown logo**

Allows the Division of Agriculture within the Department of Natural Resources to issue a license and charge a license fee for the sale of promotional merchandise related to the Alaska Grown logo. The commissioner shall price the merchandise in a manner that ensures a reasonable monetary return to the state. It is encouraged that the merchandise be manufactured in the US and is procured from either an Alaska bidder or a person that employs Alaska prison inmates.

**Section 2 - Amends Alaska Code of Civic Procedures, under the section of civil liability for sports and recreation activities**

Provides more freedom from civil liability to farmers who operate "farm tours"

**Section 3 - Defines farm touring**

Farm touring means briefly visiting a farm to observe or experience aspects of raising, growing, producing, cultivating, harvesting, or processing an agricultural product as a tourist, without receiving pay.

**Sections 4 to 7 - Amends multiple sections of existing statutes providing for the solicitation and purchasing of Alaska Grown agricultural and seafood products**

There currently exists a seven percent state and municipal preference procurement preference for

Alaska Grown agricultural products harvested in the state and Alaska Grown fisheries products harvested or processed in the state; this would give flexibility to purchase fisheries and agriculture products if priced not more than 15 percent above a similar product harvested outside the state (This includes entities that receive state money, including school districts and the university).

**Section 8 - Amends Public Finance Fiscal Procedures Act to collect fees**

Allows the Commissioner of the Department of Natural Resources to collect fees for Alaska Grown promotional merchandise.

**Section 9 - Effective date for the "farm touring" is after January 1, 2019.**

**Section 10 - Effective date of the bill is July 1, 2019.**

[10:46:50 AM](#)

Vice-Chair Bishop commented on the importance of supporting in-state agriculture. In 1950, Alaska grew 55 percent of its food. He discussed food security and the importance of being prepared for emergencies. He noted that Alaskan products had a greater shelf-life than out-of-state products.

Senator Stevens commented on seafood products. He thought that similar interest should be taken in the marketing of seafood products.

[10:49:09 AM](#)

Co-Chair MacKinnon OPENED public testimony.

AMY SEITZ, ALASKA FARM BUREAU, SOLDOTNA (via teleconference), testified in support of the bill. She echoed the comments of Vice-Chair Bishop on food security. She believed that the agriculture industry in the state was young and needed to build infrastructure and supporting policy. She lamented that 95 percent of the food in the state was imported from other states and countries and

there was only a 3 to 5-day supply of most food items on grocery store shelves. She remarked on language removed from the bill related to cottage foods industry. She hoped to work with Department of Environmental Conservation on the items that had been removed to the bill. She hoped that the bill would give farmers more opportunity in the product preference program. She discussed receipt authority. She thought that the if fees could be collected for the Alaska Grown marketing items it would help farmers to indicate that products were Alaskan grown, while supporting the Division of Agriculture. She highlighted the importance of public outreach for Alaskan grown products. She hoped to increase the incentives for the State Procurement Office to buy Alaska grown and to develop enticement language to get wholesalers to buy Alaskan grown products.

[10:54:36 AM](#)

Ms. Seitz concluded that protecting farmers, who offer farm tours, from liability should be a priority.

[10:55:15 AM](#)

Co-Chair MacKinnon CLOSED public testimony.

CSHB 217(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair MacKinnon announced that amendments were due the following day at noon.

Co-Chair MacKinnon discussed the agenda for the afternoon.

#

ADJOURNMENT

[10:56:20 AM](#)

The meeting was adjourned at 10:56 a.m.

