

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

January 31, 2017

3:30 p.m.

**MEMBERS PRESENT**

Senator Mike Dunleavy, Chair  
Senator David Wilson  
Senator Cathy Giessel  
Senator John Coghill  
Senator Dennis Egan

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 5

"An Act prohibiting groups controlled by a legislator from soliciting and accepting contributions or from making certain contributions and expenditures during a regular or special legislative session; and prohibiting some lobbyists from making campaign contributions to certain groups."

- HEARD & HELD

SENATE BILL NO. 1

"An Act making a special appropriation from the earnings reserve account for the payment of permanent fund dividends; and providing for an effective date."

- MOVED CSSB 1(STA) OUT OF COMMITTEE

SENATE BILL NO. 2

"An Act increasing the amount of the 2016 permanent fund dividend and directing the Department of Revenue to pay a supplemental dividend to eligible individuals; and providing for an effective date."

- MOVED SB 2 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 5

SHORT TITLE: POLITICAL CONTRIBUTION LIMITS/PROHIBITION

SPONSOR(s): SENATOR(s) MEYER

01/09/17 (S) PREFILE RELEASED 1/9/17  
01/18/17 (S) READ THE FIRST TIME - REFERRALS  
01/18/17 (S) STA, JUD  
01/31/17 (S) STA AT 3:30 PM BUTROVICH 205

BILL: SB 1

SHORT TITLE: APPROP: 2016 PFD SUPPLEMENTAL PAYMENT

SPONSOR(s): SENATOR(s) DUNLEAVY

01/09/17 (S) PREFILE RELEASED 1/9/17  
01/18/17 (S) READ THE FIRST TIME - REFERRALS  
01/18/17 (S) STA, FIN  
01/24/17 (S) STA AT 3:30 PM BUTROVICH 205  
01/24/17 (S) Heard & Held  
01/24/17 (S) MINUTE(STA)  
01/28/17 (S) STA AT 10:00 AM BUTROVICH 205  
01/28/17 (S) Heard & Held  
01/28/17 (S) MINUTE(STA)  
01/31/17 (S) STA AT 3:30 PM BUTROVICH 205

BILL: SB 2

SHORT TITLE: 2016 PFD SUPPLEMENTAL PAYMENT

SPONSOR(s): SENATOR(s) DUNLEAVY

01/09/17 (S) PREFILE RELEASED 1/9/17  
01/18/17 (S) READ THE FIRST TIME - REFERRALS  
01/18/17 (S) STA, FIN  
01/24/17 (S) STA AT 3:30 PM BUTROVICH 205  
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01/24/17 (S) MINUTE(STA)  
01/28/17 (S) STA AT 10:00 AM BUTROVICH 205  
01/28/17 (S) Heard & Held  
01/28/17 (S) MINUTE(STA)  
01/31/17 (S) STA AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

SENATOR KEVIN MEYER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 5, explained the bill's intent.

EDRA MORLEDGE, Staff  
Senator Meyer  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of SB 5.

JERRY BURNETT, Deputy Commissioner  
Alaska Department of Revenue  
Juneau, Alaska

**POSITION STATEMENT:** Addressed the fiscal note for SB 2.

GINA RITACCO, Staff  
Senator Mike Dunleavy  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Reviewed SB 1 and SB 2.

#### **ACTION NARRATIVE**

[3:30:30 PM](#)

**CHAIR MIKE DUNLEAVY** called the Senate State Affairs Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Giessel, Wilson, Egan, and Chair Dunleavy. Senator Coghill arrived shortly thereafter.

[3:30:50 PM](#)

CHAIR DUNLEAVY reviewed the committee's agenda.

#### **SB 5-POLITICAL CONTRIBUTION LIMITS/PROHIBITION**

[3:31:09 PM](#)

CHAIR DUNLEAVY announced the consideration of SB 5 and asked for a motion to adopt the proposed committee substitute (CS).

[3:31:22 PM](#)

SENATOR GIESSEL moved to adopt the work draft CS for SB 5, 30-LS0112\0, as the working document.

[3:31:41 PM](#)

CHAIR DUNLEAVY objected for discussion purposes.

[3:31:54 PM](#)

SENATOR KEVIN MEYER, Alaska State Legislature, sponsor of SB 5, explained that the bill's intent is to eliminate the appearance of corruption in the campaign-finance system in order to maintain and keep the public's trust. In 1996 the Alaska

Legislature passed sweeping campaign finance reforms in response to actual and apparent corruption. One purpose was to limit soft-money contributions from lobbyists and special interest groups. The 1996 Act included the following statement: "It is the purpose of this Act to substantially revise Alaska's campaign finance laws in order to restore the public's trust in the electoral process and to foster good government."

SENATOR MEYER explained that lobbyists' contributions to candidates were limited to only those candidates from the district from which the lobbyist is allowed to vote; this was to allow individuals to exercise their first amendment right to support a political candidate within their voting district, but not to influence other elections throughout the state. What was not considered in 1996 were contributions by lobbyists to political action groups (PACs) controlled by a legislator or candidate; SB 5 aims to address that loophole.

He provided examples of how a lobbyist could potentially influence decisions by sitting legislators on which bills will be heard in a committee, scheduled for a floor vote, or even how a legislator votes on a particular bill. He concluded that SB 5 will close the loophole that allows lobbyists to contribute to PACs controlled by a legislator or candidate and places a restriction on when these groups can engage in political fundraising.

He summarized that the bill aims to make raising money for PACs similar to what it is for candidates running for office. Legislators cannot accept money during the session, nor accept money from lobbyists that live outside the legislator's district.

CHAIR DUNLEAVY requested that Ms. Morledge explain the changes in the bill.

[3:36:37 PM](#)

EDRA MORLEDGE, Staff, Senator Meyer, Alaska State Legislature, Juneau, Alaska, explained that SB 5 prohibits soliciting or accepting contributions and prohibits making expenditures or contributions during the legislative session by groups that are controlled by a legislator or a candidate for the state legislature. The bill also limits the ability of lobbyists to contribute to those groups.

She detailed that Section 1 places a restriction on the solicitation or acceptance of contributions. The original draft

also had the restriction on making contributions and was placed in the wrong section of statute.

Section 2 discusses the prohibited contributions.

Section 3 adds a new section to the prohibited contributions and places back into the statute the exceptions for lobbyists to make contributions to candidates from their own voting district.

Section 4 places the limitation on expenditures during the legislative session.

Section 5 is the definition section. The CS changes a sentence to "unless the context clearly requires otherwise, these definitions apply."

[3:39:22 PM](#)

CHAIR DUNLEAVY removed his objection.

[3:39:35 PM](#)

CHAIR DUNLEAVY found no further objection and announced that the CS for SB 5, version 0, was adopted.

CHAIR DUNLEAVY asked if the bill prohibits lobbyists from donating to a PAC.

SENATOR MEYER answered yes.

CHAIR DUNLEAVY pointed out that lobbyists cannot donate to an individual now.

SENATOR MEYER replied yes.

CHAIR DUNLEAVY detailed that lobbyists currently can donate to a PAC controlled by an individual and the bill would prohibit that. He added that the bill would also prohibit the PAC from raising funds during the session, but a PAC controlled by a legislator can raise funds after the session.

SENATOR MEYER answered yes, but noted that a lobbyist cannot contribute to a PAC even after session is over.

SENATOR GIESSEL noted in Section 3 that an individual lobbyist cannot contribution unless they live in the district in which the individual is eligible to vote. She requested clarification.

MS. MORLEDGE answered that Section 3 in the CS is the same language as in current law that allows a lobbyist to contribute to a legislator. She added that Section 2 prohibits a contribution to a group controlled by a legislator or candidate.

SENATOR WILSON asked for clarification on the registered address of a PAC.

SENATOR MEYER deferred to Ms. Morledge to answer. He said he has concerns about that because it would prohibit a spouse to have a PAC and receive donations from lobbyists. He suggested that an open-ended full disclosure might work better due to all the possible loopholes.

[3:43:11 PM](#)

SENATOR COGHILL joined the committee meeting.

MS. MORLEDGE referred to page 5 of the CS beginning on line 24, the definition of "group" is provided and it also states when a group is considered controlled by a candidate.

CHAIR DUNLEAVY asked if the bill impacts the situation where a legislator has a PAC whose purpose is informational only.

SENATOR MEYER replied that it is treated the same as any PAC; the legislator would not be able to accept funds during the session.

CHAIR DUNLEAVY said the purpose of the PAC has nothing to do with whether they can raise money or not.

MS. MORLEDGE answered correct.

CHAIR DUNLEAVY asked if the prohibitions would be in place for a legislator who is a member of a PAC.

MS. MORLEDGE referred back to the definition of the "group." She said unless the legislator is in control of the group it would not prohibit their activity within a PAC.

[3:46:53 PM](#)

CHAIR DUNLEAVY announced he would hold SB 5 in committee for further consideration.

[3:47:04 PM](#)

At ease

**SB 1-APPROP: 2016 PFD SUPPLEMENTAL PAYMENT**

[3:48:19 PM](#)

CHAIR DUNLEAVY called the committee back to order and announced the consideration of SB 1. He noted that the committee heard public testimony on SB 1 at the previous meeting.

[3:48:39 PM](#)

CHAIR DUNLEAVY closed public testimony.

[3:48:50 PM](#)

SENATOR GIESSEL moved to report CSSB 1(STA), version D, from committee with individual recommendations and attached fiscal notes.

[3:49:06 PM](#)

CHAIR DUNLEAVY announced that without objection, CSSB 1(STA) moved from the Senate State Affairs Standing Committee.

[3:49:15 PM](#)

At ease.

**SB 2-2016 PFD SUPPLEMENTAL PAYMENT**

[3:51:20 PM](#)

CHAIR DUNLEAVY called the committee back to order. He announced the consideration of SB 2. He noted that public testimony was still open.

[3:51:50 PM](#)

JERRY BURNETT, Deputy Commissioner, Alaska Department of Revenue (DOR), addressed the fiscal note for SB 2 that indicates a \$279,000 operating cost primarily for mail. He added that the amount of the dividend in the fiscal note is \$1,030. He added that the amount of the dividend would be adjusted to the total appropriation in SB 1.

He noted that two issues were not addressed in SB 2 nor in the DOR fiscal note. The Alaska Department of Health and Social Services (DHSS) is not sure how beneficiaries will be effected and has not brought forward a fiscal note.

He explained that the second issue pertained to the historical calculation for the felon funds where the amount goes to the Department of Corrections. He detailed that the calculation for felon funds for the \$1,022 dividend in the FY18 budget was \$12.4

million. He said with the larger amount the calculation would have been \$25 million. He added that the bill, as written, does not address the supplemental dividend.

He concluded that the next committee may want to address the two issues that he noted.

CHAIR DUNLEAVY asked Mr. Burnett if he had additional comments.

MR. BURNETT replied that the appropriation is contrary to the Governor's fiscal plan so everyone should think about whether that money is needed for other purposes. The issues he mentioned are the only administrative issues. He added that in response to a comment from Chair Dunleavy, there is no intentional delay.

CHAIR DUNLEAVY noted that the next committee of referral is Senate Finance.

SENATOR COGHILL asked if garnishing the PFD would be a part of the second issuance, as well.

MR. BURNETT answered yes and noted the cost of one-time garnishment includes 48 hours of programming time.

SENATOR COGHILL asked if it was administrative costs.

MR. BURNETT replied yes.

[3:57:02 PM](#)

CHAIR DUNLEAVY asked if SB 2 is still contrary to the governor's fiscal plan.

MR. BURNETT answered that the budget documents before the Legislature are consistent with not paying the second dividend.

CHAIR DUNLEAVY noted that there was a majority vote in both the House and the Senate for the appropriation last session and the governor vetoed it. SB 2 is an attempt to restore that appropriation.

SENATOR COGHILL asked about contingency language and whether there is legal precedent for passing a bill that is contingent upon another one.

CHAIR DUNLEAVY deferred to his staff to answer.

[3:59:08 PM](#)

GINA RITACCO, Staff, Senator Dunleavy, Alaska State Legislature, Juneau, Alaska, explained that SB 1 is the appropriation bill for \$683,234,813 for a dividend of about \$1,030 for 2016. SB 2 is a directive to DOR to issue the check immediately. SB 2 has an effective date of May 1, 2017, for both bills to pass in order to use FY18 funds. SB 2 also has a section that provides if SB 1 fails, SB 2 is not enacted.

SENATOR COGHILL confirmed that Ms. Ritacco's review answered his previous question.

MS. RITACCO explained that the reason SB 2 directs DOR to pay immediately is that if it didn't the appropriation would go in with next year's dividend, rather than as a supplemental, and end up adjusting 2017's dividend amount.

[4:01:25 PM](#)

SENATOR GIESSEL moved to report SB 2, version A, from committee with individual recommendations and attached fiscal notes.

[4:01:36 PM](#)

CHAIR DUNLEAVY announced that without objection, SB 2 moved out of Senate State Affairs Standing Committee.

[4:01:47 PM](#)

At ease.

[4:03:19 PM](#)

CHAIR DUNLEAVY called the committee back to order and reviewed the next meeting's agenda.

[4:04:12 PM](#)

There being no further business to come before the committee, Chair Dunleavy adjourned the Senate State Affairs Standing Committee at 4:04 p.m.