

SENATE FINANCE COMMITTEE  
February 10, 2020  
9:01 a.m.

9:01:03 AM

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Bill Wielechowski

MEMBERS ABSENT

Senator David Wilson

ALSO PRESENT

Representative Jennifer Johnston, Sponsor; Angela Rodell, Executive Director, Alaska Permanent Fund Corporation; Grey Mitchell, Director, Division of Workers' Compensation Division; Senator Cathy Giessel.

SUMMARY

CSHB 68 (FIN)

LABOR STDRS/SAFETY; WORKER COMPENSATION

CSHB 68 (FIN) was HEARD and HELD in committee for further consideration.

HB 139 AK PERM. FUND CORP. PROCUREMENT EXEMPTION

HB 139 was HEARD and HELD in committee for further consideration.

#hb139

HOUSE BILL NO. 139

"An Act providing an exemption from the state procurement code for the acquisition of investment-related services for assets managed by the Board of Trustees of the Alaska Permanent Fund Corporation."

[9:02:27 AM](#)

REPRESENTATIVE JENNIFER JOHNSTON, SPONSOR, discussed the legislation. She stated that the bill granted an exemption from the state procurement code for the Alaska Permanent Fund Corporation. She stated that current laws exempted the corporation from procurement code when it required income-producing assets or delegated investment authority, however they must comply with the state's procurement code in evaluating and managing the asset in which they possess. Currently, when the corporation evaluated those types of investments, they needed to hire third-party experts and also go through the procurement code to secure the experts. She stated that if the organization did not have time to adhere to the code, but feel the fund was worthy, they would hire a fund manager expert.

Senator Olson wondered why the idea had not been presented in the past.

Representative Johnston replied that Ms. Rodell could further address the question.

Co-Chair von Imhof stated that Ms. Rodell would be available for testimony and questions. She wondered whether the Permanent Fund Corporation was in support of the bill.

[9:05:20 AM](#)

ANGELA RODELL, EXECUTIVE DIRECTOR, ALASKA PERMANENT FUND CORPORATION, stated that procurement code exemption had been pursued by the corporation for a long time. She spoke in support of the bill.

Senator Wielechowski noted the 1993 attorney general opinion on this issue, which refused to exempt the corporation from the procurement requirement. He queried the current urgency. He stressed that the purpose of the procurement laws was to prevent contracts to friends, political allies, supporters, paybacks, and hasty contract decisions that could lead to negligent hiring of contractors.

Ms. Rodell stressed that much had changed since the asset allocation of the fund in 1993. The ability to be a prudent investor was on the books since 2005. She stressed that there was a responsibility to deliver an amount that was substantial for the purpose of state government. She noted that the success depended upon the trust of Alaskans.

Senator Wielechowski felt that maintaining the trust of Alaskans was the purpose of the procurement code. He wondered whether there was a way to clear experts of certain areas need under the current code.

Ms. Rodell replied that ideas may come up, so having a long list of possible contacts was not feasible, because the experts were not known in advance.

Senator Wielechowski queried the anticipated costs with the contracts, and how those contracts would be paid.

Ms. Rodell replied that the money would come from the operating budget, which was from the Earnings Reserve Account.

[9:10:39 AM](#)

Co-Chair von Imhof pointed out that much had changed since 1993. She stressed that the investment market had exponentially grown. She remarked that it was important to respond quickly and give the corporation the flexibility in the responsibility to provide 60 to 70 percent of the state's revenue. She remarked that there was a precedent in other corporations that had flexibility in the procurement. She remarked that there was a need to invest in many different vehicles in order to be diversified and thoughtful.

Senator Olson remarked that changes to the already successful structure in the corporation made people uncomfortable. He wondered how the trust would be maintained by the people of Alaska.

Ms. Rodell replied that the bill did not address the Alaska Retirement Management Board (ARMB), and noted that ARMB had more procurement flexibility than the Alaska Permanent Fund Corporation had under the legislation. She hoped that the

transparency of the corporation allowed for the recognition of the trust of Alaskans.

[9:15:54 AM](#)

Co-Chair von Imhof stressed that the Permanent Fund Board meetings were open to the public, and the financials were also available to the public.

Senator Wielechowski noted the existing exemption in the procurement code for the Board of Trustees. He wondered what types of contracts would be addressed in the current bill that the current exemption did not already cover.

Ms. Rodell replied that those contracts that exist under the current exemption had a fiduciary responsibility. The contracts in the bill required expertise.

Senator Bishop wondered whether there was anticipation of contracting with existing contractors in the organization.

Ms. Rodell responded that it could be both.

Co-Chair von Imhof wondered whether the Alaska Housing Finance Corporation (AHFC) had a similar exemption.

Ms. Rodell replied in the affirmative.

Senator Wielechowski queried the process of issuing the contracts.

Ms. Rodell replied that the contract would be decided internally by the staff, and she or the CEO would sign off on it.

[9:20:10 AM](#)

Co-Chair von Imhof wondered whether there would be any ability for the public to see the results of the decisions.

Ms. Rodell replied that it was mostly protected under non-disclosure agreements, because when one evaluates the investment there should not be a signal of interest too early.

Senator Wielechowski surmised that the public would not be aware of the hired experts.

Ms. Rodell agreed to provide the information.

Senator Olson wondered whether there was consideration about adding a sunset date to the bill.

Representative Johnston replied that she did not see a need for the sunset date in the bill. She felt that it was needed to catch up to the sophistication of the fund.

Senator Olson felt that there was almost pessimistic about the return of investment in the current structure.

Representative Johnston restated that she did not see a need to keep it the same structure.

9:25:33 AM

Senator Olson remarked that the success had to do with the stock market, so he felt that there would be a correction.

Co-Chair von Imhof stressed that there should not be speculation about the stock market activity.

Senator Bishop wondered how much money would be affected by the legislation.

Ms. Rodell replied that it would be under \$1 million throughout a fiscal year.

Senator Bishop wondered how much was in the investment fund.

Ms. Rodell replied that the fund was currently estimated at approximately \$67.8 billion.

Senator Bishop stated that he had a question for Legislative Legal. He remarked that the Legislative Budget and Audit Committee had the ability to deeply examine the investments.

Co-Chair von Imhof felt that it was of the highest use to meet the prudent investor rule to examine the underlying investments in any particular investment vehicle.

Senator Wielechowski saw the benefits of the legislation, but remarked that there were no spending caps in the bill.

Ms. Rodell stressed that the corporation was limited every year by its budget.

[9:30:07 AM](#)

Senator Wielechowski queried support of adding a spending cap to the bill.

Ms. Rodell replied that that she did not believe a cap was necessary, because by definition there would be a cap in the budget process. She stated that she did not support a cap.

Senator Wielechowski wondered whether there was support for a provision that said that the corporation must provide the information to the legislature.

Ms. Rodell suggested that if the amendment went through the process, she would support it.

Senator Wielechowski stressed that he did not want to provide more power, rather he wanted to restrict power.

Co-Chair von Imhof OPENED and CLOSED public testimony.

Co-Chair Stedman felt that there could be an update on the powers of Legislative Budget and Audit.

HB 139 was HEARD and HELD in committee for further consideration.

#hb68

CS FOR HOUSE BILL NO. 68(FIN)

"An Act relating to the division of labor standards and safety; relating to the division of workers' compensation; establishing the division of workers' safety and compensation; relating to employment of a minor; and providing for an effective date."

[9:34:51 AM](#)

GREY MITCHELL, DIRECTOR, DIVISION OF WORKERS' COMPENSATION DIVISION, stated that the bill proposed the merging of the Division of Worker's Compensation with the Division of Labor Standards and Safety. He remarked that the Division

of Labor Standards and Safety was primarily focused on preventing workplace accidents and enforcing laws related to workplace safety and wages. He explained that the Division of Workplace Compensation was focused on the division administration of benefits. The missions of the two missions complemented the other. The divisions historically worked together, and the bill would further the ability to capitalize on efficiencies.

[9:45:27 AM](#)

Co-Chair von Imhof noted the two parts of the bill. She wondered why a bill was necessary to combine the two departments when it was already being done successfully.

Mr. Mitchell stated that the majority of the changes would adjust the director name of the new combined division.

Co-Chair Stedman queried an impact on the fishing industry with the changes of the child labor issue. He also wondered what industries were relying on the younger people to work.

Mr. Mitchell responded that the changes would not affect the fishing industry. He stated that 14- and 15-year-olds were currently prohibited from working on a fishing vessel unless that fishing vessel was owned by their parent. He stated that the main industry that employed 14- and 15-year-olds was the retail sector.

Co-Chair Stedman queried more clarity on the strictness of the requirement for young people to only be employed on their parents' vessels.

Mr. Mitchell replied that it was very strict. The parents must own and operate the business.

Senator Olson wondered whether grandparents were included in that provision.

Mr. Mitchell responded that grandparents were currently not included, but under the proposed adjustment the grandparents would be included in the exemption.

[9:50:07 AM](#)

Senator Olson surmised that a grandparent who hired their grandchild who was under the age of 16, would be violating current law.

Mr. Mitchell replied in the affirmative.

Co-Chair von Imhof stressed that the bill addressed that issue.

Senator Wielechowski wondered how much ownership a parent or grandparent would need to have in order to be considered the business owner.

Mr. Mitchell replied that it was 51 percent or more.

Senator Wielechowski queried the definition of "operating."

Mr. Mitchell replied that the parent would be on the vessel controlling the operations of the vessel.

Senator Wielechowski wondered whether the bill would exempt grandparent owned business for the protections of young people against employment in dangerous industries.

Mr. Mitchell responded that the current exemption for parents applied to all child labor provisions. The proposed exemptions would exempt 14- and 15-year-olds from all of the requirements under the child labor provisions of the business owned and operated by the grandparent.

Senator Wielechowski wondered whether a child work in adult entertainment business that was owned by their parent or grandparent.

Mr. Mitchell agreed to provide that information.

Senator Wielechowski looked at the workers compensation provision and noted that it added to the powers of the director of the division. He wondered whether it had legal meaning, or whether it codified the current goals.

Mr. Mitchell replied that the provision was currently under the authorities for the Division of Worker's Compensation. He stated that it would combine the first five items of the powers of duties of the other division.

Senator Bishop wondered whether there would be a sectional analysis.

Co-Chair von Imhof replied that the fiscal notes would be discussed, and there could be a sectional analysis. She encouraged the asking of the question.

[9:55:13 AM](#)

Senator Bishop queried the occupations of the bulk of the permits.

Mr. Mitchell responded that there were 8,700 work permit applications in FY 19. He stated that approximately 8,200 were approved permits. He remarked that they were all in a variety of industries.

Senator Bishop surmised that there was no change in the 23 hours a week limit.

Mr. Mitchell replied that there were two standards for hourly limitations for 14- and 15-year-olds: when school is in session has a 23 hour per week limit; and a limitation that was 40 hours per week in the summer months. He stated that the standard would still apply in the current bill.

Senator Bishop noted the start time for in school workers had been changed to 7am.

Mr. Mitchell agreed.

Senator Bishop remarked that it was currently 5am.

Mr. Mitchell agreed.

Co-Chair von Imhof surmised that there was not a huge change to the base labor rules for young people, but the hours were slightly different and adding grandparents. She remarked that the other part merged the two departments.

Mr. Mitchell agreed.

Co-Chair von Imhof felt that examination of existing laws should be done outside of the meeting.

Senator Wielechowski wondered whether there was a limitation of hours for a child working for their parent or grandparent.

Mr. Mitchell replied that exemption applied to all Alaska law, but did not apply to federal law. There was a similar exclusion under federal law, but it did not apply to the hazardous occupations of a business owned and operated by a parent.

Co-Chair von Imhof wanted to address the fiscal note.

Mr. Mitchell discussed the fiscal note.

Co-Chair von Imhof commended the administration to examine efficiencies and cost savings.

[10:04:53 AM](#)

Senator Bishop supported the sunset because he understood the workload.

Senator Wielechowski remarked that he had a current bill that would repeal the Workers Compensation Appeals Committee that would save additional money. He queried support of an amendment to include that idea in the bill.

Mr. Mitchell replied that he would consult with department leadership.

Co-Chair Stedman expressed concern about whether the legislation should be expanded to include more extended family.

Senator Olson echoed Co-Chair Stedman's concern.

Co-Chair von Imhof discussed the following day's agenda.

CSHB 68(FIN) was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[10:09:13 AM](#)

The meeting was adjourned at 10:09 a.m.

