

HOUSE FINANCE COMMITTEE
March 15, 2022
1:31 p.m.

1:31:05 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:31 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson (via teleconference)
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Kerry Crocker, Staff, Speaker Louise Stutes; David Ignell, Self, Juneau; Representative Mike Prax; Emily Nauman, Deputy Director, Legislative Legal Services, Alaska State Legislature.

PRESENT VIA TELECONFERENCE

Corey Bigelow, Operations Manager, Permanent Fund Dividend Division, Department of Revenue; Pat Alexander, Self, Sitka; Frank Lee, Self, Douglas; Wanda Culp, Self, Juneau; Shannon Adamson, Alaska Regional Representative, Masters Mates and Pilots, Juneau; Gerry Hope, Transportation Director, Sitka Tribe of Alaska, Sitka.

SUMMARY

HB 158 PFD CONTRIBUTIONS TO GENERAL FUND

CSHB 158(FIN) was REPORTED out of committee with five "do pass" recommendations and with six "no recommendation" recommendations and with one previously published indeterminate fiscal note: FN1 (REV).

HB 322 AK MARINE HWY SYSTEM VESSEL REPL. FUND

HB 322 was HEARD and HELD in committee for further consideration.

HB 395 FUNDS: AK MARINE HWY SYSTEM

HB 395 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the day.

#hb322

HOUSE BILL NO. 322

"An Act relating to the Alaska marine highway system vessel replacement fund; and providing for an effective date."

1:31:50 PM

KERRY CROCKER, STAFF, SPEAKER LOUISE STUTES, introduced himself and had no opening comments.

1:32:20 PM

Vice-Chair Ortiz asked Mr. Crocker to summarize the difference between HB 322 and HB 395.

Mr. Crocker reported that the main difference was who would be permitted to spend the money once it was appropriated. He explained that under HB 322, the legislature retained the authority to appropriate the money. Under HB 395, the legislature still had the authority to appropriate the money, but the commissioner of the Department of Transportation and Public Facilities (DOT) retained control of the money after it had been appropriated.

[1:33:04 PM](#)

Co-Chair Merrick OPENED public testimony

[1:33:14 PM](#)

DAVID IGNELL, SELF, JUNEAU, was unsure of the bill he was testifying on. He wanted to testify to the bill that gave the DOT commissioner the right to appropriate transportation funds.

Co-Chair Merrick would have Mr. Ignell testify on the next bill on the agenda, HB 395.

[1:34:37 PM](#)

Co-Chair Merrick CLOSED public testimony

Co-Chair Merrick indicated amendments were due by Wednesday, March 16, 2022 by 5:00 p.m.

HB 322 was HEARD and HELD in committee for further consideration.

[1:35:00 PM](#)

AT EASE

[1:36:13 PM](#)

RECONVENED

Co-Chair Merrick indicated the committee would take up HB 158. She invited the sponsor of the bill to testify.

#hb158

HOUSE BILL NO. 158

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

[1:36:42 PM](#)

REPRESENTATIVE MIKE PRAX introduced HB 158 and explained that it instructed the Permanent Fund Dividend (PFD) Division of the Department of Revenue (DOR) to include a check box on the electronic PFD application. The intention of the box was to make it easier for individuals who wished to return their PFD check to the general fund. He added

that the check box worked the same as the check box for the Pick.Click.Give. program.

1:37:37 PM

Representative Rasmussen appreciated the legislation. She had mentioned the idea in the prior legislature and was excited to see Alaskans participate in the program.

Vice-Chair Ortiz asked the Representative Prax if he had detected any opposition from others who had benefited through the Pick.Click.Give. option.

Representative Prax responded that he had heard rumors of opposition but had received no formal opposition.

1:39:00 PM

Representative Wool wondered if people making the donation would still have to pay taxes on the funding.

Representative Prax responded that there was no change in the tax status even if it was donated back to the state. It would be considered a charitable contribution. He relayed that Legislative Legal Services determined that contributing a PFD check back to the state was handled the same as a charitable contribution.

Representative Wool wondered about the funding ramifications of the donations for the agencies that would receive them.

Representative Prax reiterated that the PFD check would return to the general fund if a person opted into the program. There was no instruction to send funding to specific agencies. The money would go back to the general fund and the legislature would appropriate it as normal.

1:42:00 PM

Representative Thompson MOVED to ADOPT Amendment 1, 32-LS0746\A.4, Nauman, 3/1/22 (copy on file):

Page 1, line 1 :

Delete the second occurrence of "fund"

Insert "and permanent funds"

Page 1, line 4:
Delete "fund"
Insert "and permanent funds"

Page 1, line 7, following the first and second occurrences of "fund":
Insert "or the principal of the permanent fund"

Page 1, line 14, following "fund":
Insert "or the principal of the permanent fund"

Co-Chair Merrick OBJECTED for discussion.

Representative Thompson reviewed the amendment. The amendment provided an additional option for donating the money to the corpus of the permanent fund rather than the general fund.

[1:43:22 PM](#)

Vice-Chair Ortiz thought the amendment was favorable. He asked if the amendment would require additional personnel.

Representative Thompson noted that there would have to be some technology changes, but it would not add costs.

[1:44:10 PM](#)

Representative Carpenter asked if there was a process for accepting funds into the corpus.

[1:44:53 PM](#)

COREY BIGELOW, OPERATIONS MANAGER, PERMANENT FUND DIVIDEND DIVISION, DEPARTMENT OF REVENUE (via teleconference), asked Representative Carpenter to restate his question.

Representative Carpenter rephrased and asked whether the division had a way to regularly receive returned PFD checks and incorporate the monies back into the corpus of the fund. He asked if this could be achieved as is or if the system needed a technical upgrade.

Mr. Bigelow replied that he could not answer the question for the PFD corporation, but that the PFD division needed to do some additional work in order to send those funds to the Alaska Permanent Fund Corporation (APFC).

Representative Carpenter asked if there was anything that would prevent the corporation from being able to accept the funds.

Mr. Bigelow thought that there was nothing preventing the corporation from setting up a mechanism to accept the funds.

[1:47:02 PM](#)

Representative Prax relayed there would not be any written checks and that the process would be done electronically.

Representative Wool noted that the possibility of receiving a tax deduction for a charitable donation had been mentioned earlier. He thought some sort of donation receipt would be required.

Representative Prax expected that the program would be designed to trigger a donation receipt when a person made the decision to donate. The division would send a receipt for a contribution, and it would be mechanically simple. He was unsure whether the division was authorized to accept a personal check. He thought that currently, anyone was permitted to write a check to the general fund and did not think anything would change.

[1:49:42 PM](#)

Representative Carpenter asked if Representative Wool was suggesting that the check going to the state general fund or permanent fund would be considered a tax deduction as a qualified charitable donation.

Representative Prax agreed that that was his understanding.

Co-Chair Merrick asked Mr. Bigelow to comment on whether the division was able to provide documentation for the donation of a person's PFD to the corpus or to the general fund.

Mr. Bigelow believed the division would have to come up with a procedure since it was not something that was done regularly. He did not foresee that being a problem.

Co-Chair Merrick asked whether an organization currently had to provide a receipt if a person made a donation through the Pick.Click.Give. program.

Mr. Bigelow believed that there was something in statute that required that the PFD division provide that information. He noted that he had to check the statute to confirm. Applicants were provided with additional information on 1099 tax forms as well.

Co-Chair Merrick noted that she was trying to get someone from Legislative Legal Services online.

Representative Johnson provided a personal example of a misunderstanding regarding her PFD check. She was required to provide additional documentation to the division, and the division provided documentation back to her. The state already was making other deposits into the corpus of the permanent fund. She opined that it did not seem complicated.

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AT EASE

[1:58:03 PM](#)

RECONVENED

Co-Chair Merrick indicated that Emily Nauman with Legislative Legal Service was online for questions.

[1:58:15 PM](#)

Representative Rasmussen asked Ms. Nauman to comment on the bill regarding donating to the corpus of the permanent fund. She wondered whether it was classified as a donation to a government entity considering the money would be reinvested and redistributed as a dividend rather than for the purpose of the government.

EMILY NAUMAN, DEPUTY DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE, believed that a donation made by an individual would be taxed the same as a donation back to the general fund. It would be taxable but also would be deductible if an individual chose to itemize their deductions.

[1:59:31 PM](#)

Representative Rasmussen asked if Alaskans would know that the donation was considered deductible.

Ms. Nauman felt comfortable with her assessment that the tax would be the same.

Co-Chair Merrick asked if the State of Alaska was considered a non-profit organization.

Ms. Nauman indicated that government entities were slightly different than non-profit organizations with tax-deductible donations. For the purposes of federal revenue taxes, a donation to the state government would be considered as a donation to a different type of entity.

Co-Chair Merrick asked for confirmation that the donation would still be considered tax deductible.

Ms. Nauman clarified that a donation to the state government would still be considered tax deductible.

Representative Josephson asked if there was something in the [federal Tax Cuts and Jobs Act] congressional action of 2019 that made tax deductions to non-profits less advantageous to donors.

Ms. Nauman responded that there were many changes made in the Tax Cuts and Jobs Act that changed the structure of the process of filing individual income taxes. She explained that fewer people were itemizing their standard deductions in their taxes under this act.

Representative Wool shared his understanding that the tax law prevented the deduction of state taxes from federal taxes. He wondered whether state taxes being non-deductible meant giving money back to the general fund. He questioned how it was different than a charitable contribution, and if a state income tax would be considered tax deductible.

Ms. Nauman indicated that under the current federal tax laws, a donation to the general fund or permanent fund as proposed in Amendment 1 would be deductible. If a state were to implement an income tax, it would depend on state laws to determine whether similar donation activity would be deductible.

Representative Wool pondered if a person lived in Alaska or any state with a state [income] tax, was it still deductible from an individual's federal taxes.

Ms. Nauman indicated it was her understanding that state and local taxes were deductible and itemized in the same way as donations. If a person were to take the standard deductions, their state taxes might not be separately deductible from federal taxes. She prefaced that everyone filed their individual income taxes differently, and the decision to itemize or not itemize certain expenditures was at the discretion of the individual.

Co-Chair Merrick reminded the committee that Ms. Nauman was not an accountant or tax preparer, but an attorney.

Co-Chair Merrick WITHDREW her OBJECTION to Amendment 1. There being NO further OBJECTION, Amendment 1 was ADOPTED.

[2:04:52 PM](#)

Representative Wool commented that he was conflicted with the bill. The bill enabled Alaskans to donate their PFDs back to the state. He wondered how many people would choose to give the money back to the state. He assumed that most people who went through the trouble of applying for the PFD would keep the check. He thought the idea of the bill was good but that it was used in an argument that he did not support.

Co-Chair Merrick noted that the bill allowed people to make donations in \$25 increments.

Representative Rasmussen appreciated the bill because it gave people more choices. She appreciated Representative Thompson's amendment. She would be supporting the bill.

[2:08:30 PM](#)

Representative Edgmon commented that the concept was interesting. He noted it was unlikely that people would donate back to the government. He hoped he was wrong.

Representative Prax stated that he could not estimate what people's response would be. He noted that people were applying for the dividend during the same time period the legislature was deliberating the budget, and that people

based their donation decisions off those deliberations. He thought part of the problem was that the state was losing revenue. He expected that quite a few more people would donate back to the state.

Co-Chair Merrick thought that with 20 co-sponsors there might be 20 more donations.

Representative Edgmon thought the bill would be de minimis. However, if it gave Alaskans purpose and had minimal associated costs, he would support the bill.

Co-Chair Merrick indicated the cost to the bill was about \$43,600 to implement the proposed changes.

Representative Josephson stated that the fiscal note was concerning. He thought that the bill was benign and did not solve any of the state's fiscal problems. He did not understand why someone would make a donation to the general fund when Pick.Click.Give. allowed for specified donations. He remarked that he would never make such a donation. He did not think there was harm in the bill, but did not know what the benefit would be either.

[2:13:27 PM](#)

Representative Carpenter had a dissenting opinion. He had heard from many people that state programs were more important than the PFD. The bill would allow for people to apply their PFD checks towards state programs instead of keeping the checks for themselves. He hoped that people who reached out to the legislature and stated this opinion would have a way to "put their money where their mouth is."

Representative Wool thought the bill would prove to be a test of psychology. He hoped the experiment would be worth the cost and suggested a sunset.

Co-Chair Foster MOVED to report CSHB 158(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 158(FIN) was REPORTED out of committee with five "do pass" recommendations and with six "no recommendation" recommendations and with one previously published indeterminate fiscal note: FN1 (REV).

2:16:00 PM

AT EASE

2:18:29 PM

RECONVENED

Co-Chair Merrick called the meeting back to order.

#hb395

HOUSE BILL NO. 395

"An Act relating to the Alaska marine highway system fund and the Alaska marine highway system vessel replacement fund; establishing the Alaska marine highway system fund and the Alaska marine highway system vessel replacement fund outside the general fund; authorizing the commissioner of transportation and public facilities to expend money from the Alaska marine highway system fund and the Alaska marine highway system vessel replacement fund; and providing for an effective date."

2:18:37 PM

Co-Chair Merrick asked if members had questions.

2:18:55 PM

Co-Chair Merrick OPENED public testimony.

DAVID IGNELL, SELF, JUNEAU, spoke in opposition of HB 395 because it seemed to give the commissioner of the Department of Transportation and Public Facilities (DOT) authority to spend a significant amount of money. He noted that the bill was introduced less than a week ago and questioned why public testimony had been scheduled so quickly. He expressed that it seemed like someone was trying to "pull a fast one" with the bill. It reminded him of the events that led up to the defunding of the Alaska Marine Highways System (AMHS). He thought that the bill would be detrimental to rural communities. He requested that public hearing of the bill be postponed until the people of Alaska were more aware of it, and for the public to be given a "reasonable opportunity to be heard" through public testimony.

Co-Chair Merrick indicated that the committee was not trying to rush the bill hearing process. She relayed that the hearing had been noticed in the previous week and that this was the first hearing of the bill.

Mr. Ignell stated that he had spent only a few minutes looking at the bill. He shared his understanding of the bill hearing process in that once public testimony was closed for a bill, the public had no more opportunities for input. He thought the amount of time given for public testimony was insufficient.

Co-Chair Merrick asked the testifier to keep his comments focused on the bill. She explained that the committee procedurally held public testimony and then would decide whether to draft amendments based on the testimony. She invited the next testifier to begin.

[2:25:55 PM](#)

PAT ALEXANDER, SELF, SITKA (via teleconference), agreed with Mr. Ignell that the legislation had been brought forth too quickly. She thought the monies were being moved to another account to avoid the sweep provision. She was interested in protecting the funds so that they would only be spent to support AMHS and not diverted to any other purpose. She asked for clarification on the legislation.

Co-Chair Merrick indicated committee hearings could be revisited online.

Representative Rasmussen asked if the testifier objected to creating a separate account that was outside of the general fund to disallow the fund from being sweepable. The reason the legislation was brought forward was because there had been previous accounts that fell under the general fund that were subject to the sweep and it did not achieve the three-quarter vote threshold. It was clear in the bill that the money was for a specific purpose. It also specified to what purpose the commissioner could use the funding.

Ms. Alexander did not want the money to be swept into the general fund. She wanted to ensure that the money would be spent on AMHS.

[2:30:16 PM](#)

Representative Rasmussen thought the bill accomplished what the testifier was hoping for it to accomplish.

Co-Chair Merrick indicated that HB 395 dealt with the sweepability of AMHS, but HB 322 also dealt with that matter. They were two versions of the bill with slight differences.

[2:31:15 PM](#)

Representative Josephson noted that there were differences in the bill. He wondered if Ms. Alexander's and Mr. Ignell's testimony came from a place of well-deserved confusion because the administration was not in favor of additional AMHS funding earlier in the term. He wondered whether the testifiers were suspicious of the administration because of its prior opposition to funding AMHS.

Ms. Alexander was concerned that the money would be used for a purpose other than AMHS because of the state's dire fiscal position.

Representative Josephson clarified that neither bill could guarantee that funds would be used for designated purposes. He explained that it was a presumptive designation. It came down to a question of control of the funds, and whether the legislature or the commissioner should be made responsible for those funds.

[2:33:35 PM](#)

FRANK LEE, SELF, DOUGLAS (via teleconference), spoke in support of funding the AMHS for as long as possible. He indicated that the funds should be allocated for AMHS and should not be allocated for any other purpose. There had been historic problems maintaining the ferries due to lack of funds. He stated that AMHS was important to sustain Alaskan communities and was a lifeline for Southeast Alaska.

[2:35:15 PM](#)

WANDA CULP, SELF, JUNEAU (via teleconference), commented that the State of Alaska was corporate-based due to Alaska Native Claims Settlement Act (ANCSA). She added that Southeast Alaska was still suffering from the governor's

last withdrawal of the AMHS and that it was more expensive than ever to travel on the ferry. She noted that DOT used federal and state transportation funding and that it must not be abused. She suggested that [federal] Indian-based funding had most likely been absorbed by DOT. She stated that Native people deserved equal access to AMHS and the road system, otherwise it was akin to genocide. She wondered if the governor's action of taking from the AMHS was specifically to accommodate the corporate-rooted infrastructure in the northern areas of the state rather than accommodating the Tongass National Forrest. It seemed that the funding the governor took was used for business corporations. She spoke of the high cost of travel by air and wanted to keep the AMHS out of the governor's hands. She emphasized the importance of equality, and that the state needed to step back.

[2:39:28 PM](#)

SHANNON ADAMSON, ALASKA REGIONAL REPRESENTATIVE, MASTERS MATES AND PILOTS, JUNEAU (via teleconference), spoke in support of AMHS. She spoke in support of HB 322 and in opposition to HB 395. She opined that AMHS needed stability and predictability, and HB 322 provided AMHS with the knowledge that future vessels would be available on a yearly basis. Although HB 395 provided some protection to the funds, it allowed the DOT commissioner to spend some of the funds without much oversight. She was concerned that the current management system would have control of the funds, which was troubling because management had problems making decisions that were in the best interest of the vessels and the communities. The bill failed to provide some protections of the fund from the political cycle which had always been a problem for AMHS. She concluded that HB 322 would be a huge step forward.

[2:41:44 PM](#)

GERRY HOPE, TRANSPORTATION DIRECTOR, SITKA TRIBE OF ALASKA, SITKA (via teleconference), indicated that the Sitka Tribe of Alaska had submitted comments in writing and had been solicited by AMHS over the past few decades regarding the winter and summer ferry schedules. He noted the declining service of AMHS to Sitka. He thought the bill had a good intent except for the control of funding. The concept of money being set aside for the specific purpose of AMHS was appreciated. However, he thought the wheels came off the

bill by putting too much authority into the hands of the commissioner. He liked the concept of the bill but noted the constitutional requirement for funds to not be designated for a specific purpose.

[2:44:48 PM](#)

Vice-Chair Ortiz noted that there were two different bills before the committee, HB 395 and HB 322, but that both bills did essentially the same thing. The main difference was that the control of the funds was in the hands of the commissioner of DOT under HB 396. Under HB 322, the authority rested in the hands of the legislature. He asked whether Mr. Hope had a preference between the bills.

Mr. Hope preferred the authority be in the hands of the legislature but acknowledged that things could change in the future. He stated that more heads were better than one. He questioned the role of the newly created AMHS board because it was unclear.

[2:47:05 PM](#)

Co-Chair Merrick CLOSED public testimony.

[2:47:14 PM](#)

Representative Thompson asked Co-Chair Foster about the new timeline since the Department of Revenue had released the spring revenue forecast.

Co-Chair Merrick asked Representative Thompson to hold his question until the committee was done with HB 395.

Representative Wool appreciated Co-Chair Merrick's decision to bring both bills forward at the same time. He thought the committee would be taking action on one bill at a time because the bills were very different. He thought there was no rush to move the bills forward without first having deep discussions.

Co-Chair Merrick set an amendment deadline for March 16, 2022.

[2:49:15 PM](#)

Co-Chair Foster indicated amendments on the budget would be due by March 18, 2022. The committee would begin taking up amendments on Monday, March 21, 2022 and planned to discuss amendments through Thursday, March 24, 2022. He hoped that the budget would be moved out no later than the following week. The committee would have hearings twice a day until amendments were completed. The budget would be moved to the House floor from March 28, 2022 to March 31, 2022.

[2:51:17 PM](#)

Representative Thompson thanked Co-Chair Foster for laying out the timeframe.

Co-Chair Merrick reviewed the agenda for the following meeting.

Representative Rasmussen asked Co-Chair Foster when the committee substitute (CS) would be taken up.

Co-Chair Foster thought that the spring revenue forecast was supposed to have been released earlier that morning, and the intention was to base a CS on that forecast. More money was coming into the state and there was more funding available for appropriation. There would be a rollout of the changes the following afternoon.

HB 395 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick adjourned the meeting.

#

ADJOURNMENT

[2:53:05 PM](#)

The meeting was adjourned at 2:53 p.m.