

HOUSE FINANCE COMMITTEE
April 22, 2024
9:03 a.m.

9:03:15 AM

CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp

MEMBERS ABSENT

Representative Neal Foster, Co-Chair
Representative Frank Tomaszewski

ALSO PRESENT

Representative Julie Coulombe, Sponsor; Brodie Anderson, Staff, Representative Neal Foster; Edra Morledge, Staff, Representative Julie Coulombe; Representative Justin Ruffridge, Sponsor; Bud Sexton, Staff, Representative Justin Ruffridge; Representative Mike Prax, Sponsor; Riley Nye, Staff, Representative Mike Prax.

PRESENT VIA TELECONFERENCE

Michael Williams, Acting Deputy Director, Tax Division, Department of Revenue.

SUMMARY

HB 45 PFD CONTRIBUTIONS TO GENERAL FUND AND PF

HB 45 was HEARD and HELD in committee for further consideration.

HB 116 RESTORATIVE JUSTICE ACCT APPROPRIATIONS

CSHB 116(STA) was REPORTED out of committee with eight "do pass" recommendations and one "no recommendation" recommendation and with one new indeterminate fiscal note from the House Finance Committee for the Department of Public Safety and one new indeterminate fiscal note from the House Finance Committee for the Department of Corrections.

HB 144 REPEAL EDUCATION TAX CREDITS SUNSET

HB 144 was REPORTED out of committee with four "do pass" recommendations, three "no recommendation" recommendations, and two "amend" recommendations and with one new fiscal impact note from the Department of Revenue and one new zero note from the Department of Commerce, Community and Economic Development.

Co-Chair Edgmon reviewed the meeting agenda.

#hb116

HOUSE BILL NO. 116

"An Act relating to appropriations from the restorative justice account."

[9:04:58 AM](#)

Co-Chair Edgmon asked the bill sponsor to provide a brief recap on the legislation.

REPRESENTATIVE JULIE COULOMBE, SPONSOR, explained that the bill reorganized the percentages of the funds that passed through the Restorative Justice Account that fund non-profit organizations through the Council on Domestic Violence and Sexual Assault (CDVSA) for services for victims and domestic violence and sexual assault programs. The legislation changed the share of the funds, reversing the share for CDVSA in the Department of Corrections (DOC).

Co-Chair Edgmon asked staff to provide a review of the fiscal notes.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, provided a review of two House Finance Committee fiscal notes. He began with the DOC fiscal note, OMB component number 2952. The policy discussed in the bill switched percentages coming from the Restorative Justice Account. The fiscal notes reflected the policy in the bill. He discussed fund sources and noted the Restorative Justice Fund had a decrement of \$7 million for the FY 25 budget (the amount available) and would be appropriated in FY 25. There was a fund source swap to UGF for the corresponding equal amount, and in the outgoing years the funds were indeterminate. The fiscal note assumed a 3 percent allocation to DOC. He pointed out that the UGF FY 25 appropriation replaced the restorative justice funds, and also allowed the department time to transition to a lower allocation of restorative justice funds in outgoing years.

[9:09:10 AM](#)

Mr. Anderson reviewed OMB component number 521 for CDVSA in the Department of Public Safety (DPS). The note reflected an increase of \$7.5 million transferred from DOC to the Restorative Justice Funds. He noted that the grants and benefits line showed the same amount available. The bill allocated 79 percent to CDVSA and victims.

[9:10:20 AM](#)

Representative Josephson observed that the fiscal notes would get a stamp if the bill was moved out of committee. He noted that the funds in question were not in the operating budget but asked if the funds would be considered by the Conference Committee and would effectively be in the budget.

Mr. Anderson answered affirmatively and explained that the fiscal notes would replace the previous fiscal notes in the packets. The Conference Committee would consider and negotiate a fiscal note package. Conference Committee would have the ability to reconcile the operating budget components, but after conference committee approval the bill would enforce whatever funding had been allocated for FY 25.

Co-Chair Johnson asked if there were two or three fiscal notes.

Mr. Anderson replied that there were two fiscal notes.

Co-Chair Johnson asked if the fiscal notes were a decrement to DOC.

Mr. Anderson replied that DOC would be held harmless with no cuts visible for FY 25. There was a fund source swap between the Restorative Justice Fund and the undesignated general funds (UGF). In outgoing years, there was no UGF designated in FY 26 through FY 30. He explained that the DOC fiscal note would only fund FY 25, and in FY 26 DOC would be required to request an increment in future years. The \$7.5 million would not enter the base budget in perpetuity until requested the following year.

Co-Chair Johnson stated her understanding that at some point incarcerated individuals' Permanent Fund Dividends (PFDs) were garnished to go to the fund. She recalled that the fund was renamed as a restorative justice account, and most of the funding went to offset the cost of having people incarcerated. She did not want the situation to happen again and noted that the fund was originally set up to offset the cost of incarceration rather than benefit prisoners. She wanted to ensure that there was a name change and they were now taking a large portion of the account. She thought it was a significant fiscal load.

[9:16:08 AM](#)

Representative Coulombe relayed that the fund was established in 1988. In 2018 there was a policy change, and it was determined that more funding would go towards victims instead of offsetting DOC costs. The percentages laid out at the time still favored DOC, and she thought the bill was another step to fulfill the policy changes that happened in 2018 to restore victims. She mentioned people sharing concerns that victims were not getting restitution or restoration, and the bill was one vehicle to help stabilize efforts for victims. She mentioned that in statute CDVSA was required to put together a prevention program, but it did not have the money to do so. The funding would aid the agency with doing more preventative education programs. She added that the House had put \$3.7

million in the budget for CDVSA and thought that the amount would be balanced.

Representative Galvin thanked Representative Coulombe for finding some way to ensure victims were better supported. She understood the original intent of the fund may have been different than the current use, but thought the legislature needed to find some common ground to support victims. She supported the bill. She asked about the funding. She observed that the act was effective on July 1, 2024. She understood the fund was filled with PFD dollars that happened in October. She asked if FY 24 dollars would be rolled into the fund first.

EDRA MORLEDGE, STAFF, REPRESENTATIVE JULIE COULOMBE, confirmed that the funds were from the PFD in 2023.

Co-Chair Edgmon understood that the PFD funds were dispersed in the year after the calendar year of the dividend.

Representative Ortiz supported the bill. He wanted to clearly understand the fiscal implications. He asked if the intent of the bill would direct more funding resources to victims in the first year of its enactment. He asked if the money would be replaced with General Fund money, and there would not be any immediate impact on DOC.

Mr. Anderson replied affirmatively. The DOC would be held harmless for FY 25.

Co-Chair Edgmon noted there were no amendments for the bill.

Co-Chair Johnson MOVED to REPORT CSHB 116(STA) out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, CSHB 116(STA) was REPORTED out of committee with eight "do pass" recommendations and one "no recommendation" recommendation and with one new indeterminate fiscal note from the House Finance Committee for the Department of Public Safety and one new indeterminate fiscal note from the House Finance Committee for the Department of Corrections.

[9:22:38 AM](#)

AT EASE

[9:23:45 AM](#)

RECONVENED

#hb144

HOUSE BILL NO. 144

"An Act relating to education tax credits; and providing for an effective date by repealing the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014."

[9:23:52 AM](#)

REPRESENTATIVE JUSTIN RUFFRIDGE, SPONSOR, relayed that the bill would repeal the sunset on the education tax credits. He explained that under the tax credit program, organizations could give funds to educational institutions and receive a tax credit. The program had been well utilized since the late 1980s. He supported repealing the sunset to continue the successful program.

BUD SEXTON, STAFF, REPRESENTATIVE JUSTIN RUFFRIDGE, was available for questions.

Co-Chair Johnson commented that she liked sunsets in general. She thought there was likely a reason to have sunsets in order to bring eyes on the issue periodically. She wanted to get a sense of why the sponsor thought the status was different or what had changed from the original intent.

Representative Ruffridge saw there was a need for sunsets in periodic language for a new bill. He pointed out that the program had been in place for almost 40 years. He believed there was a lack of stability that came with bringing something forward for sunset extension and having it change. He noted that every time the program had been up for sunset there had been alterations of the structure of the program, which he thought could lead to confusion. He supported the bill for the purposes of stability and mentioned subsequent slight changes to the program which he thought added to instability.

[9:28:40 AM](#)

Representative Galvin highlighted a list in the member's packets with frequently asked questions (copy on file). She referenced a recent legal ruling [related to funding for correspondence programs] that seemed to take out pretty significant pieces of statute related to correspondence funding. She stated the tax credit program listed nonprofit agencies. She knew there could be private nonprofit programs that were religious, and thought the last ruling was related to anything related to religious institutions. She asked for clarification.

Representative Ruffridge replied that the ruling made the previous week had nothing to do with the program. He wanted to be careful not to conflate a situation that was ruled unconstitutional because it took some big steps forward to say that public money could be used in some cases for private or religious instruction. He mentioned the statute that was ultimately ruled against, which he thought had some incongruencies. The ruling had to do with state dollars that were appropriated. He stated that if any of the members donated funding to their church, they would apply for a tax credit. He emphasized that a tax credit was not the same as a legislative body appropriating funds for a specific purpose and then being granted a credit. He thought the U.S. and state tax codes showed the difference. He reiterated the issue was very separate. He emphasized that the topic at hand was a donation made with private dollars.

Co-Chair Edgmon clarified that the money went through the normal appropriation process. He asked about a technical training school.

Representative Ruffridge replied, "No." He explained there would be a reduction in revenue to the state in the dollar amounts that the state was allowing an entity to not pay tax for.

Co-Chair Edgmon asked if the proceeds went directly to the beneficiary.

Representative Ruffridge explained that if a person owned a company, and the company donated directly to an institution of the person's choice, the person would apply to the Department of Revenue (DOR) to receive a tax credit.

[9:34:50 AM](#)

Representative Galvin received some emails from individuals who were concerned, and she appreciated the explanations. She considered corporations that paid taxes to DOR including mining license tax, fisheries, oil and gas, and maybe one or two others. She understood that companies could chose instead to make a partial donation. She noted there were limits on the donation and she believed the House had passed legislation raising the limit to \$3 million. She stated that corporations could submit proof they had donated to any number of organizations to receive a lower tax bill. She asked for verification it was considered a tax credit.

Representative Ruffridge replied affirmatively.

Representative Galvin stated that her constituents wanted to understand that it meant less revenue to the general fund, but it also meant that organizations were directly supported through private entities.

Representative Ruffridge responded affirmatively.

Representative Josephson stated that he did not believe the question was so simple. Generally speaking, when the audience was over 18, the courts had less anxiety. For example, the Alaska Bible College was more acceptable than Lumen Christi [Catholic High School] in Anchorage. He did not know of any problem with lifting the sunset, but he did not believe the legal question was so clear.

[9:38:06 AM](#)

Co-Chair Edgmon thought the line of questioning and commentary was good. He asked Representative Ruffridge for closing remarks.

Representative Ruffridge appreciated the opportunity to present the bill. He was happy to talk about some of the questions offline. He stated that the program had been well supported and had existed for many years without any such challenges. He believed continuing the program was in the best interest of the state and education programs supported by the program including the University of Alaska, which received a large benefit from the program.

Representative Hannan asked if there was a companion bill in the Senate.

Representative Ruffridge replied affirmatively. He noted that it was proof of the point he had made earlier in the meeting. He explained that the Senate had made changes to some of the dollar amounts and he found it more significant than a simple sunset repeal.

Mr. Sexton added that the Senate version was not a true companion bill. He detailed that the Senate version extended the sunset and HB 144 was a repeal. Additionally, the Senate version increased the amount of deduction levels and the cap. The current bill kept the levels as is. The current amounts were established in 2018 under HB 223 and lowered the deduction amount to the current level of about 50 percent with a \$1 million cap. In light of the state's fiscal situation, HB 144 proposed keeping the levels as is to make sure the impact was reasonable and balanced.

[9:41:14 AM](#)

Representative Hannan asked what the recommended extension was in the sunset audit.

Mr. Sexton replied that he did not recall specifically. He believed the recommendation was a four or six-year extension. He noted there was a representative from the University present who could likely answer the question.

Representative Hannan asked about the Senate companion and the Legislative Audit recommendation. She wondered if the recommendation was to remove a sunset or perpetuate one at some length of time.

Co-Chair Edgmon replied that it was fair to say that the audit did not recommend continuing in perpetuity. He shared that an audit recommendation for continuing something in perpetuity was the exception rather than the rule. He shared Representative Ruffridge's line of thinking in terms of extending the bill. He considered the time, effort, and costs involved. He stated there was an ability to audit the programs and make subsequent changes without having to go through the whole reauthorization of a program, which became a rote exercise.

[9:42:46 AM](#)

Representative Hannan was not interested in holding up the bill. She continued to have an interest making sure the legislature revisited bills going forward; therefore, completely suspending the sunset had her a little concerned. However, she was very supportive of the underlying premise of the bill. She was satisfied with having raised the questions.

Co-Chair Edgmon thanked the bill sponsor. He asked the Department of Commerce, Community and Economic Development (DCCED) to review the fiscal notes.

9:43:58 AM

AT EASE

9:45:37 AM

RECONVENED

Co-Chair Edgmon noted that in the absence of DCCED, Brodie Anderson would review the fiscal note.

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the DCCED fiscal note OMB component number 354. The fiscal note showed no significant changes on the first page. He explained that the Division of Insurance submitted the fiscal note because the insurance premium tax was a collectable tax paid by insurance companies. He elaborated that the education tax credits would be eligible to be used against any sort of liability a company incurred in its insurance premium tax. He noted that the Division of Insurance had seen a sharp decline in credits being claimed. The last paragraph of the analysis [on page 2 of the fiscal note] included a breakdown about the amount claimed against education tax credits.

Co-Chair Johnson asked if the fiscal note was zero because DCCED did not administer a grant as the payments went directly to institutions.

Mr. Anderson responded that tax credits were managed by DOR under the Tax Division and DOR would provide a review of its fiscal note. He explained that fiscal notes did not always reflect lost revenue, but there could potentially be lost revenue from the tax credit amount being claimed against the liability of the insurance premium tax. He

relayed that DCCED anticipated no loss in revenue due to the repeal.

[9:49:05 AM](#)

Co-Chair Edgmon asked if the bill sponsor or staff wanted to elaborate.

Mr. Sexton replied that it was a tax credit program and there were not any payments going out to entities. He explained that the donations were going to educational institutions and as such, the donation was able to receive a tax credit through the program. The result was a reduction in revenue to the state. For example, in FY 23 total contributions were just over \$5.4 million and the credits claimed (under the current 50 percent threshold) were about \$2.7 million, resulting in loss of revenue to the state in that amount.

Representative Galvin appreciated that the bill was simple and only pertained to the sunset cap. She remarked that the Senate version had a different sunset date. Additionally, the House had passed HB 89 pertaining to childcare. She elaborated that HB 89 also changed the dollar cap that an entity could put into educational and childcare organizations. She noted that if the Senate passed HB 89, the cap would change. She highlighted that if that occurred, the fiscal notes for HB 144 would be different. She clarified she was not suggesting not passing HB 144. She was merely highlighting it could potentially significantly change the fiscal note. She stated that the current bill would not result in changes to the fiscal note because it did not make any other changes to the cap on what an entity could use to defer their own tax bill, which would be direct revenue to DOR.

Mr. Anderson believed Mr. Williams with DOR was available online to review the second fiscal note.

[9:53:22 AM](#)

MICHAEL WILLIAMS, ACTING DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), reviewed the DOR fiscal note, OMB component number 2476. He explained that the education credit was a credit for qualifying contributions to Alaska universities and accredited nonprofit Alaska two-year or four-year colleges for

facilities, direct instruction, research, and educational support purposes direct instruction, research and educational support purposes; donations to a school district or a state-operated technical and training school for vocational education courses, programs and facilities; and donations for Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership. He relayed that the credit was available to be claimed against insurance premiums, tax, title insurance premiums, tax, corporate income tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax. The credit for any one taxpayer could not exceed \$1 million annually across all tax types. The credit was currently scheduled to sunset on January 1, 2025. The bill would repeal the sunset provision.

Mr. Williams continued to review the DOR fiscal note. The change in revenues reported in the fiscal note only included eligible tax programs administered by DOR. The bill's fiscal impact was from eliminating the current repeal provisions beyond 2025. He noted that January 1, 2025, was halfway into FY 25; therefore, it was an estimated \$1.5 million fiscal impact. Based on historical credit claims, the outyears showed \$3.1 million annually in foregone revenue for contributions claimed for the education tax credit. There was no implementation or administrative cost for DOR other than absorbing it under current operating expenses. There was no grant process; the contributions went directly from a private corporation to the eligible programs listed in statute.

Co-Chair Edgmon referenced that the bill sponsor had indicated that the bulk of the receipts went to the University [of Alaska]. He asked Mr. Williams to provide further detail on the subject.

Mr. Williams answered that the calendar year 2023 education credits were \$5.4 million and of that \$3.4 million went to the University of Alaska system, just under \$1 million went to Alaska Pacific University, about \$750,000 went to K-12 schools, school districts, vocational technical institutions, and roughly \$300,000 went to other eligible organizations like the Alaska Native Heritage Program. The

\$5.4 million in contributions translated to \$2.7 million in tax credits.

[9:57:17 AM](#)

Representative Josephson provided an example of seeing large contributions from Conoco to the Alaska Performing Arts Center in Anchorage. He asked if those contributions were associated with a different type of tax credit.

Mr. Williams replied that he was not aware that the donation in Representative Josephson's example was eligible for a credit. He explained that it was not on the list of eligible contributions under current statute.

Co-Chair Johnson observed that a contribution could be for equipment or housing [in addition to other things]. She asked if an entity had to take the contributions. She wondered who evaluated the donations. She used the donation of a white elephant piece of property as an example.

Mr. Williams responded that contributions of equipment had to meet the same standard as a charitable contribution under the internal revenue code. He relayed that contributions of equipment or land over a certain dollar amount required an official appraisal to substantiate the value of the contribution.

Co-Chair Johnson asked who did the appraisal.

Mr. Williams answered that there was certain documentation the donor was required to maintain. He detailed that if, during its audit, DOR looked at a piece of equipment or land contributed, DOR would request the valuation to substantiate the value of the donation.

[9:59:28 AM](#)

Co-Chair Edgmon thanked the presenters.

Co-Chair Johnson MOVED to REPORT HB 144 out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, HB 144 was REPORTED out of committee with four "do pass" recommendations, three "no recommendation" recommendations, and two "amend"

recommendations and with one new fiscal impact note from the Department of Revenue and one new zero note from the Department of Commerce, Community and Economic Development.

#hb45

HOUSE BILL NO. 45

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

10:00:20 AM

REPRESENTATIVE MIKE PRAX, SPONSOR, thanked the committee for hearing the bill. He provided an introduction of the bill with prepared remarks:

House Bill 45 would add a button to the electronic PFD application process to give Alaskans the choice of donating all or a portion of their Permanent Fund Dividend directly to the state's general fund. Participants can donate in increments of 10 percent up to the full amount of the PFD. Currently, in order to return your PFD to the state, Alaskans must apply for the dividend, receive their dividend, and return it through the U.S. mail. Passage of this bill will greatly facilitate Alaskan's ability to donate their PFD to the state's general fund.

Representative Prax relayed that a previous version of the bill was introduced in the 32nd Legislature as HB 158 and was amended in the House and had 22 cosponsors. The bill was reintroduced during the current legislature in the form previously passed by the House Finance Committee. He explained that the House Ways and Means Committee amended HB 45 by making some minor changes that would make the implementation of the bill go more smoothly. He stated there were numerous reasons why a person may choose to give some or all of their PFD back to the state and Alaskans deserved to have the option for doing so in a simple and efficient manner. He stated that the bill would provide that option.

Co-Chair Edgmon asked if the sponsor's staff had any comments.

RILEY NYE, STAFF, REPRESENTATIVE MIKE PRAX, reviewed the sectional explanation of changes (copy on file):

Section 1

This was added in version B and is a new section that amends AS 43.23.55 for the purpose of establishing the following priority order for contributions under:

1. AS 43.23.130 (Education Raffle)
2. AS 43.23.230 (Pick Click Give)
3. AS 43.23.135 (AK General Fund Donation)

Section 2

This was section 1 in version A of this bill and it was renumbered to be section 2 of this committee substitute version B.

The following words were Deleted in this transition from version A to B--- "A contribution to the state general fund or the principal of the permanent fund may be \$25 or more, in increments of \$25, up to the total amount of the permanent fund dividend that the applicant is entitled to receive."

On Page 3, lines 18-20 Insert---"A contribution to the state general fund or the principal of the permanent fund may be 10 percent of the amount of the dividend or more, in increments of 10 percent, up to the total amount of the permanent fund dividend that the applicant is entitled to receive."

Also in this section, the following words were deleted, "The electronic application must include notice that seven percent of the money contributed to the state general fund or the principal of the permanent fund will be used for administrative costs incurred in implementing this subsection and that money from the dividend fund will not be used for that purpose."

On Page 3, lines 26-28 the following words were inserted, "Money from a contribution under this subsection or from the dividend fund may not be used for administrative costs incurred in implementing this subsection."

[10:05:07 AM](#)

Co-Chair Edgmon thanked Representative Prax for the presentation.

Representative Prax asked members to provide questions or suggested amendments to him ahead of time in order to expedite the hearing process.

HB 45 was HEARD and HELD in committee for further consideration.

Co-Chair Edgmon reviewed the schedule for the following meeting.

#

ADJOURNMENT

[10:05:53 AM](#)

The meeting was adjourned at 10:05 a.m.