

**HB**

**181**

0-LS0628\B  
Cramer  
4/2/97

CS FOR HOUSE BILL NO. 181( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE VEZEY

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to separate segregated funds for certain political contributions  
2 from corporations and labor organizations."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 15.13 is amended by adding a new section to read:

5 Sec. 15.13.160. Separate segregated funds for certain contributions from  
6 corporations and labor organizations. (a) If a corporation or a labor organization  
7 withholds money from the compensation paid to officers or employees of the  
8 corporation or from dues or other fees assessed on members of the labor organization  
9 for the purpose of making a contribution permitted by this chapter, the corporation or  
10 labor organization shall deposit the money in a separate segregated fund.

11 (b) A contribution from a separate segregated fund is considered to be a  
12 contribution from the corporation or labor organization.

13 (c) A corporation or a labor organization may not solicit or obtain donations  
14 to a separate segregated fund from an individual on an automatic or passive basis,

1 including a payroll deduction plan or reverse checkoff method, unless the individual  
2 affirmatively and voluntarily consents to the donation in writing at least once in every  
3 calendar year.

4 (d) A donation to a separate segregated fund may not be obtained by

5 (1) using coercion or physical force;

6 (2) making a donation a condition of employment or membership;

7 (3) using or threatening to use job discrimination or financial reprisals.

8 (e) A corporation or labor organization may not pay to an individual a bonus  
9 or other remuneration for the purpose of reimbursing a donation to a separate  
10 segregated fund.

11 (f) In this section,

12 (1) "contribution" means, notwithstanding AS 15.13.400, money or  
13 another thing of value given or lent to influence the nomination or election of a  
14 candidate, or given or lent to a group, a political party, or to influence the outcome of  
15 a ballot proposition or question;

16 (2) "corporation" means a corporation organized on a for profit or  
17 nonprofit basis;

18 (3) "separate segregated fund" or "fund" means a separate segregated  
19 fund established under this section.

20 \* Sec. 2. This Act applies to withholdings from compensation made on or after the  
21 effective date of this Act.

# HOUSE COMMITTEE REPORT

(7)  
Date Referred to Committee: March 7, 1997

FURTHER REFERRALS:

Judiciary

Date of Committee Action: 4/13/97

The STATE AFFAIRS Committee considered:

HB 181

HOUSE BILL NO. 181

QUALIFICATIONS OF STATE FORESTER

"An Act relating to separate segregated funds for certain political contributions from corporations and labor organizations."

recommends it be replaced with the following committee substitute CS HB 181 (STA)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) APOC.

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Jeanette James</i>	✓			
<i>Monica [unclear]</i>	✓			
<i>Fred [unclear]</i>	✓			
<i>[unclear]</i>	✓			
<i>[unclear]</i>	✓			

CHAIR'S SIGNATURE *Jeanette James*

# Alaska State Legislature

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Representative Al Vezey

## HB 181 Right of Workers to Stay Out of Politics

### Sponsor Statement

HB 181 protects the rights of workers who want to stay out of politics. I have had constituents share their concern with me that their employers automatically deduct contributions from their check for political action. These people are reluctant to make an issue of what they consider an unfair practice because of job security.

This process of funding political actions by corporations and labor organizations is known as a "reversed check-off". "Reverse check-off" is a payroll deduction by an employer of an annual amount determined by the corporation or labor organization which is automatically deducted from an employees paycheck. On January 7<sup>th</sup> of this year, the Sixth Circuit Court of Appeals upheld in *Michigan AFL-CIO v. Miller* Michigan's statute that bans "reversed check-off" practices by corporations or labor organizations.

HB 181 would require corporations and labor organizations to inform officers and employees of the existence of a separate segregated fund. If the employee or officer affirmatively and voluntarily agrees to contribute to the fund, the corporation or labor organization must reaffirm that consent at least once a year.

This legislation goes beyond recent attempts to impose a right to know policy in preserving workers' rights. Individual workers should not only have a right to know, but also a right to say no.

## ALASKA PUBLIC OFFICES COMMISSION

### POSITION PAPER ON HB 181

#### Introduction:

The Public Offices Commission met on March 19, 1997 to discuss HB 181, which will amend AS 15.13 by creating a new type of group, the "separate segregated fund." Corporations and unions with payroll deduction plans may "establish, administer, and solicit contributions" for their separate segregated funds to give to parties or ballot measures. The bill requires that they obtain affirmative consent from employees before making deductions. It limits the class of people from whom corporations and unions may solicit contributions. Finally, it prohibits the use of coercion; making a contribution a condition of employment; threats of or actual job discrimination; or reimbursing individuals for their political contributions.

#### Analysis:

The Commission identified the following concerns and makes the following recommendations:

(1) Sections 1-4. The proposed amendments to existing provisions in the campaign disclosure law are confusing. Rather than amend sections AS 15.13.065(a), 067, 070(c ) and 074(f) to exempt separate segregated funds, the Commission recommends that the existing provisions be left as is and that potential conflicts between those provisions and the requirements of separate segregated funds be addressed in a new subparagraph in section 160. This approach will reduce the risk that AS 15.13.065(a), 067, 070(c ) and 074(f) are misinterpreted to prohibit separate segregated fund contributions to parties or ballot measure groups altogether; or in the alternative, to permit separate segregated funds to contribute an unlimited amount to parties.

The Commission recommends the following:

Delete proposed amendments to AS 15.13.065(a), 067, 070(c ) and 074(f).  
Add a new subparagraph in section 160 that states:

Notwithstanding sections 065(a), 067, 070(c ), and 074(f), a separate segregated fund may not contribute to candidates or groups that are not parties or ballot measure groups.

(2) Section 5. The controlled giving limitation described in AS 15.13.074(h) applies to groups that are so closely tied to a candidate that they are treated the same as a candidate campaign. Permitting separate segregated funds an exemption from this provision appears to be inconsistent with the rest of the bill which prohibits separate segregated funds from making contributions to candidates.

To eliminate any potential confusion, the Commission recommends the following:

delete section 5 regarding AS 15.13.074(h) from the bill.

(3) The Commission was concerned that the bill does not specifically define "separate segregated fund." In the absence of an explicit definition, the Commission is unclear whether the bill is intended to apply to all corporate and union political action committees ("PAC's"); PAC's with payroll deduction plans; or PAC's with payroll deduction plans that are controlled by the associated corporation or union. Additional guidance is necessary for the Commission to implement the provision consistent with legislative intent. Assuming the separate segregated fund refers to corporate and union PAC's with payroll deduction plans that are controlled by the affiliated corporation or union, the Commission recommends the following:

amend AS 15.13.400 to include a new subparagraph that defines separate segregated funds as follows:

(12) "separate segregated fund" means two or more individuals who affirmatively and voluntarily consent to make campaign contributions jointly through a payroll deduction plan administered and controlled by a union, profit or nonprofit corporation of which the individuals are members, officers, stockholders or employees.

(4) Section 3 & 6. As proposed, separate segregated funds may contribute an unlimited amount to parties. The absence of any monetary limitation on the amount of money a separate segregated fund may contribute to a party appears to give separate segregated funds a privilege not available to other groups which are limited to \$1,000 under AS 15.13.070(c). To eliminate this privilege, the Commission recommends the following:

amend AS 15.13.070, to include a new subparagraph (e) with states the following:

(e) A separate segregated fund may contribute not more than \$1,000 per year to a political party.

(5) Section 6: AS 15.13.160(b). As proposed, the bill appears to permit corporations and unions to spend an unlimited amount soliciting contributions from a restricted group of employees, stockholders and members.

Under current Commission regulations, soliciting a contribution to a specific group is a contribution. 2 AAC 50.313(l)(4). As a result, corporations and unions would be prohibited from soliciting because they are prohibited from making contributions to parties. Corporations and unions, however, may make unlimited contributions to ballot measure groups.

The Commission recommends the following:

change the first sentence in AS 15.13.160(b) as follows:

A corporation organized on a for profit or nonprofit basis or a labor organization may establish, and administer [, AND SOLICIT] contributions to a separate segregated fund to be used for political purposes.

(6) Section 6: AS 15.13.160(e). Subparagraph (e)(2) through (4) appears to contain unnecessary words that confusion the meaning of the provision. To clarify those subsections, the Commission recommends the following:

change AS 15.13.160(e) as follows:

- (2) stockholders [OF MEMBERS] of the nonprofit corporations;
- (3) officers or directors [OF MEMBERS] of the corporation;
- (4) employees [OF THE MEMBERS] of the corporation who have policy-making, managerial, professional, supervisory, or administrative nonclerical responsibilities;

(7) Section 6: AS 15.13.160(g). The prohibitions in subsection (g) require that the Commission exercise authority over an area of law with which it has had no prior experience. Subparagraph (g) prohibits the use of coercion or force; making a contribution a condition of employment or membership; or threats of or actual job discrimination. To the extent the Commission must determine whether a contribution was the result of any of the factors in subparagraph (g), the Commission will need to become familiar with a new area of law. In general, the Commission believes that authority over employment matters is best assigned to a regulatory entity with existing expertise in that area.

(8) Section 6: AS 15.13.160(h). The Commission is uncertain regarding the calculation of the penalty provision set out in subparagraph (h). The provision states that a corporation or union that reimburses restricted individuals for their contributions to a separate segregated fund is subject to a civil penalty of "two times the total contribution obtained for all the individuals for the separate segregated fund during that calendar year."

It is not clear to the Commission what is meant by "all the individuals." It may apply to all individuals who contribute to the separate segregated fund during the year; or it may apply only to all individuals who made illegal contributions to the fund. To clarify the legislature's intent, the Commission requests that the language be amended to make clear that the provision applies to all individuals or only those who acted illegally.



# Alaska State Legislature

## House of Representatives

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### Representative Al Vezey

Date: March 14, 1997

To: Rep. Jeannette James, Chairman  
House State Affairs Committee

AV

From: Rep. Al Vezey

Re: HB 181

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I am requesting that HB 181, "An Act relating to separate segregated funds for certain political contributions from corporations and labor organizations." be scheduled for hearing in the House State Affairs Committee.

Attached is the sponsor statement I have prepared.

A handwritten signature, likely of Representative Al Vezey, consisting of stylized initials.

**FISCAL NOTE**

**STATE OF ALASKA**  
**1997 LEGISLATIVE SESSION**

**BILL NO. HB 181**

Revision Date: \_\_\_\_\_  
 Title: "An Act relating to separate segregated funds..."  
 Sponsor: Rep. Vezey  
 Requestor: (H) STA

Department Affected: Administration  
 BRU: Alaska Public Offices Commission  
 Component: Alaska Public Offices Commission  
 COMPONENT SERIAL NO. 70

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	11.9	11.9	6.0	6.0	0	0
TRAVEL	1.1	1.1	0	1.1	0	1.1
CONTRACTUAL	29.6	64.6	41.7	64.6	41.7	64.6
SUPPLIES	.4	.4	.4	.4	.4	.4
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>43.0</b>	<b>78.0</b>	<b>48.1</b>	<b>72.1</b>	<b>42.1</b>	<b>66.1</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	43.0	78.0	48.1	72.1	42.1	66.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER						
<b>TOTAL</b>	<b>43.0</b>	<b>78.0</b>	<b>48.1</b>	<b>72.1</b>	<b>42.1</b>	<b>66.1</b>

Estimate of any current year (FY 97) cost: \$ 0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

SEE ATTACHED

Prepared by: Karen Boorman  
 Division: Alaska Public Offices Commission

Phone: 276-4176  
 Date: \_\_\_\_\_

Approved by Commissioner: Mark Bover  
 Agency: Department of Administration

*Alison M. Elger*

Date: 3/21/97

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## FISCAL NOTE

STATE OF ALASKA

BILL NO. HB 181

1997 LEGISLATIVE SESSION

### ANALYSIS: (continued)

HB 181 creates a new type of group under campaign disclosure law, the separate segregated fund. Corporations and unions with payroll deduction plans may "establish, administer, and solicit contributions" for their separate segregated funds to give to parties or ballot measures. The bill requires that they obtain affirmative consent from employees before making deductions. It limits the class of people from whom they may solicit contributions. Finally, it prohibits the use of coercion; making a contribution a condition of employment; threats of or actual job discrimination; or reimbursing individuals from their political contributions.

Because the bill creates a new type of entity under campaign finance law, the Commission will be required draft and approve complex regulations to implement the new section. In addition, staff anticipates that it will spend a significant amount of time answering questions and drafting advisory opinions for Commission approval. Staff estimates that about 20% additional staff time will be required in the first two years after the bill takes effect. This will decrease to 10% in the following two years. Although this increase in workload is not sufficient to warrant a new position, the increase does warrant additional personnel costs.

Because the Commission is currently understaffed in its efforts to carry out existing responsibilities, the addition of new responsibilities warrants fiscal note personnel costs. The addition of fiscal note funds to reduce the position vacancy will allow the Commission to handle the additional responsibilities of HB 181 by proportionately increasing staff time. The amount shown represents 20% of the annual cost of a Paralegal II.

The Commission estimates that this bill will result in 4 additional complaints in election years; and 3 complaints in non-election years. Because of the complex nature of the evidence required to establish that a corporation or union has used coercion; made a contribution a condition of employment; threatened or actually discriminated against an individual; or reimbursed an individual from political contributions and because the new campaign finance law requires that complaints be resolved in 180 days, the Commission would need to secure additional investigative support on a contractual basis. In the complaints described, the Commission also estimates that allegations would require that the Commission retain a hearing officer to hold an administrative hearing as required by the Administrative Procedures Act to resolve factual disputes.

In summary, the fiscal note reflects personnel costs to handle the additional work load; contractual funds to handle additional complaints--including additional investigative support; retention of a hearing officer; computer support costs; and deposition costs. Additional costs associated with complaint resolution include supply costs for paper, folders and file cabinets. Remaining contractual, supply and travel costs reflect promulgation of regulations in the first year; development and distribution of educational materials. Specific costs include paper, internal copying costs, statutorily-required regulatory notice, and postage charges. Educational efforts would be accomplished through mailings and trainings in Anchorage, Fairbanks and Juneau. Travel to Fairbanks would occur in the first year of implementation of the bill, then each succeeding election year.