

HOUSE CS FOR CS FOR SENATE BILL NO. 78(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/17/18

Referred: Rules

Sponsor(s): SENATORS BISHOP, Hoffman, Stedman, Meyer, Dunleavy, von Imhof, Stevens, Hughes, Micciche

A BILL

FOR AN ACT ENTITLED

1 **"An Act creating the education endowment fund and the dividend raffle fund;**
2 **authorizing donations from the permanent fund dividend for educational purposes and**
3 **to enter the permanent fund dividend raffle; relating to transfers from the dividend**
4 **raffle fund and the education endowment fund; relating to the duties of the Department**
5 **of Revenue; relating to the definition of 'gambling'; and providing for an effective date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 LEGISLATIVE INTENT. It is the intent of the legislature that the funds generated by
10 the permanent fund dividend raffle created in this Act be used to supplement and not to
11 supplant state aid provided by the public school funding formula under AS 14.17.410.

12 * **Sec. 2.** AS 11.66.280(3) is amended to read:

13 (3) "gambling" means that a person stakes or risks something of value

1 upon the outcome of a contest of chance or a future contingent event not under the
 2 person's control or influence, upon an agreement or understanding that that person or
 3 someone else will receive something of value in the event of a certain outcome;
 4 "gambling" does not include

5 (A) bona fide business transactions valid under the law of
 6 contracts for the purchase or sale at a future date of securities or commodities
 7 and agreements to compensate for loss caused by the happening of chance,
 8 including contracts of indemnity or guaranty and life, health, or accident
 9 insurance;

10 (B) playing an amusement device that

11 (i) confers only an immediate right of replay not
 12 exchangeable for something of value other than the privilege of
 13 immediate replay and does not contain a method or device by which the
 14 privilege of immediate replay may be cancelled or revoked;

15 (ii) confers only tickets, credits, allowances, tokens, or
 16 anything of value that can be redeemed for toys, candy, or electronic
 17 novelties offered at the same facility where the amusement device is
 18 located; or

19 (iii) allows a player to manipulate a claw machine or
 20 similar device within an enclosure and enables a person to receive
 21 merchandise directly from the machine; [OR]

22 (C) an activity authorized by the Department of Revenue under
 23 AS 05.15; **or**

24 **(D) the permanent fund dividend raffle authorized under**
 25 **AS 43.23.064;**

26 * **Sec. 3.** AS 43.23.055 is amended to read:

27 **Sec. 43.23.055. Duties of the department.** The department shall

28 (1) annually pay permanent fund dividends from the dividend fund;

29 (2) subject to AS 43.23.011 and [PARAGRAPH] (8) of this section,
 30 adopt regulations under AS 44.62 (Administrative Procedure Act) that establish
 31 procedures and time limits for claiming a permanent fund dividend; the department

1 shall determine the number of eligible applicants by October 1 of the year for which
2 the dividend is declared and pay the dividends by December 31 of that year;

3 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)
4 that establish procedures and time limits for an individual upon emancipation or upon
5 reaching majority to apply for permanent fund dividends not received during minority
6 because the parent, guardian, or other authorized representative did not apply on
7 behalf of the individual;

8 (4) assist residents of the state, particularly in rural areas, who, because
9 of language, disability, or inaccessibility to public transportation, need assistance to
10 establish eligibility and to apply for permanent fund dividends;

11 (5) use a list of individuals ineligible for a dividend under
12 AS 43.23.005(d) provided annually by the Department of Corrections and the
13 Department of Public Safety to determine the number and identity of those
14 individuals;

15 (6) adopt regulations that are necessary to implement AS 43.23.005(d);

16 (7) adopt regulations that establish procedures for the parent, guardian,
17 or other authorized representative of a disabled individual to apply for prior year
18 permanent fund dividends not received by the disabled individual because no
19 application was submitted on behalf of the individual;

20 (8) adopt regulations that establish procedures for an individual to
21 apply to have a dividend disbursement under AS 37.25.050(a)(2) reissued if it is not
22 collected within two years after the date of its issuance; however, the department may
23 not establish a time limit within which an application to have a disbursement reissued
24 must be filed;

25 (9) provide any information, upon request, contained in permanent
26 fund dividend records to the child support services agency created in AS 25.27.010, or
27 the child support enforcement agency of another state, for child support purposes
28 authorized under law; if the information is contained in an electronic data base, the
29 department shall provide the requesting agency with either

30 (A) access to the data base; or

31 (B) a copy of the information in the data base and a statement

1 certifying its contents;

2 (10) establish a fraud investigation unit for the purpose of assisting the

3 (A) Department of Law in the prosecution of individuals who
4 apply for or obtain a permanent fund dividend in violation of a provision in
5 AS 11, by detecting and investigating those crimes; [AND]

6 (B) commissioner to detect and investigate the claiming or
7 paying of permanent fund dividends that should not have been claimed by or
8 paid to an individual and to impose the penalties and enforcement provisions
9 under AS 43.23.035; **and**

10 **(11) adopt regulations under AS 44.62 (Administrative Procedure**
11 **Act) so that contributions under AS 43.23.062 are given a priority over donations**
12 **under AS 43.23.064 if the total amount of contributions and donations elected by**
13 **an applicant exceeds the amount of the permanent fund dividend that the**
14 **applicant is entitled to receive.**

15 * **Sec. 4.** AS 43.23 is amended by adding new sections to read:

16 **Sec. 43.23.063. Education endowment fund.** (a) The education endowment
17 fund is established as a separate account in the general fund. The fund consists of
18 appropriations from

- 19 (1) donations to the fund under AS 43.23.064(b);
20 (2) transfers to the fund under AS 43.23.064(c);
21 (3) interest earned on the fund; and
22 (4) any other money appropriated to the fund.

23 (b) The commissioner is the fiduciary of the fund. In managing the fund, the
24 commissioner shall

- 25 (1) have the same powers and duties as provided in AS 37.10.071; and
26 (2) invest the fund in a manner likely to achieve at least a four percent
27 nominal return over a five-year period to meet the objectives of the fund.

28 (c) In managing the fund, the commissioner shall

- 29 (1) consider the status of the fund's capital and the income generated
30 on both current and probable future bases;
31 (2) determine the appropriate investment objectives;

1 (3) establish investment policies to achieve the objectives; and

2 (4) act only in regard to the best financial interests of the fund.

3 (d) On July 1 of each year, the commissioner shall

4 (1) determine the fund balance for the previously closed fiscal year,
5 including the earnings of the fund; and

6 (2) when the average market value for that fiscal year exceeds
7 \$1,000,000,000, transfer 4.5 percent of the average fiscal-year-end market value of the
8 balance of the fund for the last five fiscal years, including the fiscal year just ended,
9 and including any unrealized gains and losses, to the Department of Education and
10 Early Development for distribution as supplemental grants to school districts
11 according to the average daily membership for each district adjusted under
12 AS 14.17.410(b)(1)(A) - (D), subject to appropriation.

13 (e) Money appropriated to the fund does not lapse.

14 **Sec. 43.23.064. Dividend raffle fund; dividend donations to the dividend**
15 **raffle fund; drawing.** (a) The dividend raffle fund is established as an account in the
16 general fund. The commissioner shall manage the fund. Interest and other income
17 received on money in the fund shall be separately accounted for and shall be
18 appropriated to the fund. The fund consists of donations appropriated to the fund
19 under (c) of this section. The commissioner shall use the dividend raffle fund, without
20 further appropriation, to pay for prizes as set out in (d) of this section and may use up
21 to two percent of the balance of the fund but not more than \$500,000 from the fund
22 each fiscal year to pay the cost of administering the fund and for promotion and
23 advertisement of the fund. When the balance of the dividend raffle fund exceeds
24 \$300,000,000 at the end of a fiscal year, the commissioner shall transfer the amount
25 above \$300,000,000 to the education endowment fund established in AS 43.23.063.
26 Money donated to the fund does not lapse.

27 (b) Notwithstanding AS 43.23.069, the department shall provide on the Alaska
28 permanent fund dividend application an option for an applicant who is 18 years of age
29 or older to direct that all or a portion of the applicant's dividend payment be donated
30 for educational purposes and to enter the permanent fund dividend raffle as provided
31 in (c) of this section. A donation under this section may be \$100 or more, in

1 increments of \$100, up to the total amount of the permanent fund dividend that the
2 applicant is entitled to receive.

3 (c) Of the donations received in a year under (b) of this section, the legislature
4 shall appropriate 25 percent to the education endowment fund established in
5 AS 43.23.063 and shall appropriate 25 percent to the dividend raffle fund. The
6 legislature shall appropriate the remaining 50 percent of the donations received under
7 (b) of this section to the Department of Education and Early Development for
8 distribution as supplemental grants to school districts according to the average daily
9 membership for each district adjusted under AS 14.17.410(b)(1)(A) - (D).

10 (d) At the beginning of each year, the commissioner shall conduct a public
11 drawing to award prizes from the dividend raffle fund. Each \$100 donation as
12 provided in (b) of this section entitles a person to one entry into the raffle. The prizes
13 for the raffle shall be as follows:

14 (1) the first name drawn receives an amount equal to eight percent of
15 the balance of the dividend raffle fund;

16 (2) the second name drawn receives an amount equal to four percent of
17 the balance of the dividend raffle fund;

18 (3) the third name drawn receives an amount equal to two percent of
19 the balance of the dividend raffle fund; and

20 (4) the fourth name drawn receives an amount equal to one percent of
21 the balance of the dividend raffle fund.

22 (e) Nothing in this section creates a dedicated fund.

23 * **Sec. 5.** This Act takes effect January 1, 2019.