

From: [John Beebee](#)
To: [Senate State Affairs](#)
Subject: SB21 vs SB26
Date: Monday, February 20, 2017 10:57:12 AM

My instant impression is that SB21(2017) is disastrously named, because it conjures up memories of the disastrous SB21(2014) that gave away too much of Alaska's petroleum revenues to the oil industry.

Nonetheless, I prefer SB21(2017) to SB26(2017). The latter ties dividends to mineral royalties. The effect would be to enlist the public and public money in support of mineral extraction and development projects that can't be developed economically without it.

John Beebee
9571 Midden Way
Anchorage, AK 99507

From: [Barry Santana](#)
To: [Sen. Mike Dunleavy](#)
Cc: [Sen. David Wilson](#); [Rep. Mark Neuman](#)
Subject: Budget Cuts and SB21(2017) and SB 26
Date: Sunday, February 19, 2017 5:21:18 PM

Senator Dunleavy,

Although I tuned-in late to the discussion on SB21 and SB26, I believe I got the gist of the discussion from listening to the later presentations and discussion online. I also downloaded documents that were available including several emails you posted from Angela Rodell and Randy Hoffbeck, as well as opposition emails to you from constituents.

I am in support of smaller government than we have now, as you are and many of your constituents. The problem I see is that for 20 or more years, the Alaska governing bodies (Legislature and Administration) have been spending money like drunken sailors on small and mega projects, a behemoth government bureaucracy and tax credits and a favorable tax credit system to some of the richest companies on the planet. We are paying for that now with the residual of enormous health care and retirement payouts for government workers which will be with us until they die. That doesn't mean we should not cut what we can, but we can't default on retirement obligations and tax credits owed while we are governed by the rule of law and have a huge savings account in the Permanent Fund.

To date I have seen no bills that actually propose line item cuts, or even across the board cuts, on the order of 75% of state spending required to get close to a balanced budget without using more out of our savings account. I do not want to see any more billions of dollars drained from the CBR like has been the status quo the last 3 years. In fact, I have seen the legislature's budget for the last 2 years remain upwards of \$70 million with no double digit percentage cuts! I have told my Representative Mark Neuman, that I could agree to a state government organization chart based on one from 1981 and staff levels for that organization increased proportionally for population with salaries increased for inflation. His response was to cut regulations to save money. He didn't really think my proposal for "right-sizing" government would fly. I admit there would be a lot of work for government administrators and then there all those nasty oil tax credits and government retiree's pensions and health care to deal with. And a few people would leave the state. But we would have government of a size before we became addicted to oil revenue.

On the other hand, there have been some reasonable approaches to breaching use of the PF earnings reserve using a POMV draw that I can support if the PF is protected. Here is what I sent to Senator Stedman on SB21(2017):

"Thank you for proposing SB21. I am ready to allow use of a reasonable portion of the Earnings Reserve to fund both the PFD and essential government services. I think your bill is the least complex of any that I have seen. I also believe that your characterization of the bill as a starting point with other bills providing additional revenue as "bolt-on" additions is a simple way to go.

I have the following comments that I would like you to consider to strengthen the bill:

- I would prefer the bill be stated as "**contingent upon**" passage of other revenue producing bills.

- I strongly feel that **modification of the oil & gas tax and tax credit structure needs to be one revenue source** before any removal of the Earning Reserves for funding Govt. Services or restructuring the PFD. The minimum tax on a barrel of oil should be raised to 6% of the gross wellhead value of Alaska oil determined by an independent market. All oil should be taxed; the term "new oil" should be removed from the tax code until Alaska has its fiscal house in order. There should be no tax credits allowed until we have our fiscal house in order. If tax credits return later, they should be scrutinized, and limited to insure they will provide a reasonable economic return to the state within 3 years after start of production. To summarize: **if Alaska oil is uneconomic to produce, we should leave it in the ground, period.**
- I strongly believe that the **PF should be inflation-proofed annually from any POMV draw** for either PFD or Govt. Services use. **As I understand it, SB21(2017) rescinds inflation-proofing of the PF.** I find that the Alaska Permanent Fund Corp. considers the difference between between PF real return and total return to be the cost of inflation. The latest rolling 10-year return bar graphs show a value of about 1.5% for inflation. (http://www.apfc.org/_amiReportsArchive/2016_09_AR.pdf, page 9) Earlier rates have been as high as 3%. This value needs to be reviewed annually, but I think taking 1.5% out of your proposed 4.5% draw is appropriate at this time. I know there are arguments for assuming the PF returns will provide inflation proofing, but Angela Rodell has indicated by email to Senator Dunleavy in answer to a request he sent her after the hearing on SB21 and SB26, that this is not true. AS 37.13.120(a) does not necessarily make it so. It must be understood that there will be years of negative return, maybe several years in a row. Annual inflation-proofing is the only logical solution.
- I would like to see any bill regarding a POMV withdrawal Constitutionalized. It appeared that both you and Senator Dunleavy agreed with that in the hearing. I believe this would go a long way in providing credibility to any bill that looks like the Legislature or Administration is going to take money for Govt. Services, of PFD restructuring for that matter.

I believe you have a presented a strong, simple bill to help get our fiscal mess untangled. Thank you."

I think SB26 might also be OK with the same qualifiers I have made, but I find the Governor's proposal much to complicated for my liking. I also like HB115 with similar qualifiers including a 50/50 split between PFD and Govt. Services. I could even handle the income tax proposal incorporated in HB115 if it included a minimum tax of at least \$50 for each person who files a federal return or gets a PFD check. It is a simple tax bill that could give everyone skin in the game; out-of-state workers, welfare recipients, kids, everyone...no discrimination.

I just really don't want you guys to piss away our savings account, so the state can file bankruptcy so we can pass the bill on to the Federal Govt. and the retired government workers get 10 cents on the dollar. I'm hoping you can find those budget cuts to go along with HB115 or SB21 to save us.

Barry Santana
Wasilla, Alaska

February 17, 2017

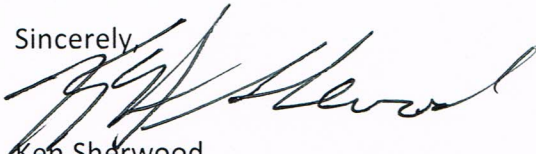
Dear Senate State Affairs Committee Members:

The legislature needs to address the State budget issues this year. Nothing significant was done last year and our economic situation has continued to decline. Real compromises need to be made and legislation needs to be passed that will help resolve the State budget problems.

Tax credits for the oil companies need to be adjusted and better defined. They don't need to be totally eliminated. I support the Governor's basic plan to reduce the budget deficit. Cap the dividend, institute a State income tax, and use the earnings from the Permanent Fund. Any additional cuts to the State budget should be done carefully and selectively.

I strongly urge you to act this year and get the legislation passed. Members of the legislature need to put their political beliefs on the back burner and enact legislation that will benefit the State of Alaska.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Sherwood". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Ken Sherwood
1520 W. 12th Ave.
Anchorage, AK 99501

From: [Christine Klein](#)
To: [Senate State Affairs](#); [Sen. Cathy Giessel](#); [Rep. Jennifer Johnston](#); [Rep. Chris Birch](#)
Cc: [Christine Klein](#)
Subject: PF and budget comments
Date: Saturday, February 18, 2017 1:31:06 PM

Good Afternoon

I'm taking time to write and express my support in using the AK permanent fund to balance the budget. Our state's deficit is far bigger than the entire operating budget, so reducing or even simply cutting our entire government (including legislature), would not solve this problem. A solution can only be accomplished using our existing fund sources; as well as, new funds to pay for what "we use" and is provided in our state. We need you to develop a balanced sustainable state budget through costs to everyone, this session

Please consider all options of revenue to pay for the core services that our AK constitution guarantees. There are really no remaining choices other than requiring all AK citizens', all of us left remaining here in AK to start paying for our own way. We need a comprehensive sustainable fiscal plan or face losing more jobs, businesses, and population to help share this burden. The solution needs to be **fair, consistent, and have cost impact across our entire socioeconomic strata of Alaska** - all businesses, all resource sectors, every citizen, out of state workers', non-resident permit holders', property owners of for-profit AND non-profit organizations, and seasonal visitors'. All other US states' and their citizens' pay the cost of their state government and the services they use and benefit from, and most states have a lot fewer savings tucked away. At this time everything should be on the table for open consideration to develop a balanced budget solution this session.

I support using our AK permanent funds and a wide mixture of measures to fund AK's constitutionally mandated services. Good luck to each of you, all our legislators', and Governor as you work together to address this deficit and create a long term fiscal plan.

Thank you for your time.

Christine Klein

Christine Klein
ADK Alaska, Professional Services
12201 Graiff St
Anchorage, AK 99507
(907) 351-9585

From: [Ward Hurlburt](#)
To: [Senate State Affairs](#)
Subject: PFD USE
Date: Friday, February 17, 2017 5:04:36 PM

We are out of state and not convenient to the LIO.

As Alaskans since 1961 we support the use of funds from the Permanent Fund as the dominant source of funding to balance the state budget. We believe Governor Walker's action last year was reasonable and necessary.

We support continued efforts to reduce the size of the State's spending.

We would support an increase in gasoline and other fuel taxes. An increase in tobacco taxes (all forms of tobacco) could help us further our gratifying reduction in youth smoking as well as generating revenue for the state.

Our observation regarding other states without an income tax is that they tend to be more prosperous and to attract business and therefore we would be concerned about reinstating an income tax. If additional taxation is necessary a state sales tax, we believe, would be less harmful to our economy than an income tax.

Thank you

Toby and Ward Hurlburt.

Sent from my iPhone

From: [Bobi Rinehart](#)
To: [Senate State Affairs](#)
Subject: PFD
Date: Friday, February 17, 2017 1:44:39 PM

I support restructuring of the PFD, as well as an income tax. I don't support a sales tax or taxing particular industries more than others, especially those industries that are family owned (i.e. Fishing boats).

I also support strong k-12 and higher education funding.

Thank you.

--Bobi Rinehart
16461 Saint James Cir
Anchorage, AK 99516

Sent from my iPhone

From: [Dori Ditmore](#)
To: [Senate State Affairs](#)
Subject: Re: Senate Bill 21 & Senate Bill 26
Date: Friday, February 17, 2017 3:24:14 PM

Dear Sirs

I understand you are about to have hearings on whether to use some of the P-Fund to pay for government. I would like to add my thoughts:

1. First of all we have not cut enough of the budget. Most of the so called “cuts” are more in the way of accounting adjustments and timing adjustments rather than actual spending reductions. We need actual spending reductions. I know that it is hard, but we need to focus on the CORE mission of the government and to pare back on everything else.
2. Second, I believe the P-Fund was set aside to help out in times when the money ran out. This is that time. It is silly to set up another government agency to collect taxes.. so we have administration of the P-Fund to pay out the earnings, and then we have an administration to collect the money back. More useless government when we should be contracting government, not expanding it.
3. Third, I am against an income tax. Instead of an income tax, the state needs to look to see what it pays for all the services it provides for unincorporated communities and it needs to charge those communities for the services. It is not right that communities that organize into cities/boroughs pay their own way for schools, etc. but places that choose not to organize get their services for free from the state.

Thank you.

Dori Ditmore



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www.avast.com

From: [Larry Daniels](#)
To: [Senate State Affairs](#)
Cc: [Sen. Cathy Giessel](#)
Subject: SB 21 and 26
Date: Friday, February 17, 2017 2:28:08 PM

Dear Senate,

I wish to go on record as supporting SB 26, the Governor's bill, which would create a POMV of 5.5% that will provide an annual appropriation to pay for State Government Services. It also sets a formula to pay an annual PFD.

I prefer this bill over SB 21, however, if SB 26 fails, then I support SB 21 as we must use a portion of the permanent fund support State government operations.

Larry Daniels

Girdwood Alaska

907-229-2550

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From: [Susan Olsen](#)
To: [Senate State Affairs](#)
Subject: SB 21 and SB 26 written testimony
Date: Sunday, February 19, 2017 4:07:03 PM

I am unable to testify in person on SB 21 and SB 26 so submit this written testimony. My name is Susan Olsen and I live in Anchorage.

I thank you for this opportunity to weigh in on Alaska's very critical fiscal crisis which must be resolved this session. The Senate blocked all meaningful legislation during last year's session which went on and on and on without producing anything on this issue. I would hope this hearing on Senator Stedman's and the Governor's bills would initiate a process whereby the House, Senate and Governor can enact a sustainable legislative compromise this session.

I would urge support for SB 26 due to its comprehensive nature which not only establishes POMV for the Permanent Fund, but establishes a formula for inflation proofing, allows for a lesser draw in the event Alaska receives more than \$1.2 billion in mineral royalties and oil and gas production taxes and calls for a review of all elements in SB 26 in three years. Should the bill not work, then the legislature can review and revise in three years. That time period would I believe allow sufficient time to determine if the withdrawal amount is sustainable both for the PF's corpus and the dividend program.

In my opinion, SB 21 merely establishes a formula which guarantees a minimum amount for a dividend. I do not believe our budget crisis can be resolved only by dealing with the amount of the dividend; the issue is how to pay for the state's operating budget. Action by the legislature must establish what amount can be taken annually from the PF's earning reserves for the general fund before "victory" can be declared. SB 21 is inadequate for the job.

From: [Joan Brewer](#)
To: [Senate State Affairs](#)
Subject: Senate Bill 21 and Senate Bill 26 PFD use
Date: Friday, February 17, 2017 2:38:37 PM

I do not believe that the purpose of the Permanent Fund was to create a population of people expecting a handout each year. The Permanent Fund is a savings account that needs to be used wisely.

I feel it is important that a solution to our fiscal crisis includes limiting the PFD payment; paying an income tax (which would include funds from non-residents); reducing, if not eliminating, credits to the oil companies and changing the tax system for the fishing and mining industries.

If the legislature wants to reduce PFD payments, please make sure the pain is felt equally among individuals and businesses.

And sole source contracts to a buddy to collect fraudulent PFD payments is just criminal.

From: [Eva](#)
To: [Senate State Affairs](#)
Subject: Support Senate Bill 21 Over Senate Bill 26
Date: Sunday, February 19, 2017 8:18:40 PM

I support the governor's version of a change to the Permanent Fund.

However, I like the House Representatives bill proposing a state income tax over both of the senate bills.

We cannot cut our way or count on the permanent fund to get out of this fiscal mess. We need more income.

Yvette Miller

Senate District N