

ALASKA STATE LEGISLATURE

BICAMERAL PERMANENT FUND WORKING GROUP

Senate

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Shelley Hughes, 465-3743
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House

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Jonathan Kreiss-Tomkins, 465-3732
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Transcript

Bicameral Permanent Fund Working Group

Alaska State Capitol
Senate Finance Committee Room
June 12, 2019, 9:30 a.m.

Senator Bishop: Good morning. I call this Bicameral Permanent Fund Working Group to order. Note the time is exactly 9:30 a.m. on Wednesday, June 12, 2019. We are meeting in the Senate Finance Committee Room here in Juneau. I'd like to welcome everyone. I'll introduce the Senate members, and my Co-Chair, Representative Johnston, will introduce her members. So, for the Senate we have Senator Stedman, Senator Hughes, Senator Olson. Welcome. Good morning Senate members. Madam Co-Chair.

Representative Johnston: Yes, Representative Merrick, Representative Kreiss-Tomkins and Representative Wool, thank you for coming.

Senator Bishop: Alright, we do have a quorum to do business. This morning's meeting will be a little brief. I can see we have a nice audience here. I'd like to recognize the Senate President. I see we have Senator Birch, Representative LeBon, Representative Sullivan-Leonard, Representative Sara Rasmussen. Are there any other legislators in the back? Wave your hand. I see Representative Tilton is here. And I introduced the Senate President right off the bat. I always know where the power is and I start there and go downhill. So, she was called out first. With that being said, we do have a quorum to do business. We all know the cellphone drill. And, I'd like to recognize our teleconference moderator here today is Nate Williams. And, I would like to recognize Senate staff, and behind me is Chief of Staff, Darwin Peterson, Christopher Clark, and Senator Stedman, I'll let the rest of the Senators introduce any of their staff they've got here, or if they aren't in the room and you'd like to recognize them.

Senator Bishop: Senator Stedman.

Senator Stedman: Thank you, Mr. Chairman. We have the lead for the Senate on the operating budget Mr. Pete Ecklund, and we have Kelly O'Sullivan, who helps in the office all things analytical. She has an accounting background and I volunteered her. Mr. Chairman, as an

assistant to the committee, to help us with any spreadsheet or analytical work. Also, my Co-Chair, Senator von Imhof offered her staff up for some of the analytical work or spreadsheet work or any that type of stuff the committee may desire. So, we will work together with the Chairman on making sure we can expedite our work over the next few weeks.

Senator Bishop: Thank you Senator Stedman. Senator Hughes.

Senator Hughes: Mr. Chair, my staff is here in spirit and online, Buddy Whitt, and he was a former finance committee aide, and that's the best that I can do this morning.

Senator Bishop: Well, you've got a good one, so that's excellent. Senator Olson.

Senator Olson: Thank you, Mr. Chairman. I have no staff here present this morning.

Senator Bishop: Thank you. Madam Co-Chair.

Representative Johnston: Yes, my staff Robert Ervine and Erin Shine, are both online.

Representative Wool: Thank you, Mr. and Madam Chairs. My staff, Anne Rittgers, is in the second row in the gallery.

Representative Kreiss-Tomkins: Reid Harris, also, I believe is in the back.

Representative Merrick: Thank you, Sorcha Hazelton is here from my office.

Senator Bishop: Alright, thanks. So, everybody knows everyone. Now, Co-Chair Johnston.

Representative Johnston: I'd like to recognize that Representative Knopp and Representative Thompson are also here.

Senator Bishop: Alright, thank you. The next part of the agenda is, I just want to give a little brief outline. This bicameral working group was created by a House Concurrent Resolution 101, which tasked us with establishing policy recommendations to Presiding Officers for the responsible use of the earnings from the Alaska Permanent Fund. And, that's our charge, and that's what we will accomplish here over the next as many days, maybe on the outside, maybe 21 days. I'd just like to say that there will not be continual meetings every day. There's going to be committee work that will be forthcoming tomorrow. We are going to talk about. Co-Chair Johnston is going to give us a little bit of an outline here in a few moments, some action items that we're going to talk about and I won't get into anymore of that. I'll just let her talk about that, but we did want to just go around the table and offer if you had any brief comments now, that's fine. If you don't, that's fine, tomorrow we're going to have a deeper dialog and a longer meeting. So, if there's any opening statements that you'd like to make, that anybody would like to make, just raise your hand and I'll call on you. If not, we'll move onto the next part of the agenda.

Representative Wool: Chair?

Senator Bishop: Representative Wool.

Representative Wool: I figured someone should have an opening statement here. This is a very important issue here that we have all spent a lot of time thinking about. As a member of State Affairs Committee, my colleague, Representative Kreiss-Tomkins, we've had several PFD bills come across our committee this year, and so, I think a lot of us have given a lot of thought to it. The prevailing, one of the prevailing thoughts that many people in this building are having is the displeasure in not being able to follow the statutory formula that was set back in the 1980s, as far as the paying the PFD check and I know we have broken that law several times over the last few years, and I think myself, and I can't speak for anyone else, but I think it's time we resolved that impasse and, not only come up with a number or a formula that we can afford, but one that we can follow. And I think that's the important thing, both now and into the long-term future, so we don't get caught in this position again. I'm glad that we're getting this committee together and hopefully we can all work towards that common goal.

Senator Bishop: Senator Stedman.

Senator Stedman: Thank you, Mr. Chairman. We look back at the permanent fund and the dividend, and we are going to work through these issues, the historical issues, is my understanding, and bring it forward. The portfolio was a little less than a billion dollars when the dividend formula was created, now it's at \$65 billion. That's forty years later. That particular statute that's been referenced, that some point out that we are in violation to, there's other contradictory formulas that we are not in violation of, and we have conflicting statutes. So to claim out, or put a flashlight on one, a spotlight on one particular statute and not all of them, is only part of the story. So, Mr. Chairman, I hope as we go forward, we have the ability to lay that all out to the public, so we can see. We also have Supreme Court Opinions on classifications of appropriations and how that intercedes, or interacts with the formula and the dividend, and also that formula has been changed in excess, I think, of a dozen times in the last forty years, without a vote of the people. So, I think we have some historical documents to put together, some history.

My personal concern is that we look to the future of Alaska like the participants at this table did forty years ago, when they set up the permanent fund, and we preserve the integrity and the viability of the future funds for Alaskans that aren't even born yet. And, I'll give you an example, several decades ago, in a community I represent, one of my communities Sitka, we work really diligently. Frankly, I was out of college about a year, to revamp the Sitka Permanent Fund, from an all bond portfolio to a stock and bond allocation portfolio. There was a young doctor in town had a little baby, and that was good. We need kids in town. And as life, work, you know, hooks on and you're busy working away, kids grow up, go to school, go to college. All this time the Sitka permanent fund has been restructured and a percent of market value paying out 6% a year, which we are lowering with some lower targets. And then one day, in 2019, I look across the table and that little baby is sitting across the table from me, a grown man, and a representative for the community. So, we've got, sitting at this table, some history of percent of market value in performance, and related issues of payouts. Some of our members here of the community, and the community they live, that's all they've seen and all they've known of. So, I'm hoping that at some point my Representative is my age and looking across the table, there's another young guy sitting across the table looking out several generations into the future when he's in his sixties.

So, Mr. Chairman, I'll be definitely interested in the longevity and permanency of the permanent fund and putting the dividend, the immediate dividend calculation and payout in second place insofar as the pecking order. That's my personal opinion, Mr. Chairman.

Senator Bishop: Thank you. Any other comments? Senator Hughes.

Senator Hughes: Thank you, Mr. Chair. The people of Alaska are watching with keen interest. I believe that a sleeping giant has been awakened, actually. Primarily because we've had such difficulties solving this, and I just want the people of Alaska to know that I don't take this task lightly. And I also believe it is of vital importance that the people of Alaska listen to what is, what will be presented at this table, and to the conversation, and that they come along on this journey with us, and work with us.

I think that there's been great concern about our operating in a bubble here in Juneau, and I'd like to pop that bubble, Mr. Chair, and invite Alaskans to really listen to some of the presentations, to understand the picture, the projections, what we have ahead, and that we can come to resolution. I'm also very aware that there's another branch of Government that may intervene in this process, whether we will get to an endpoint in what we're doing here as a working group, or if there will be something else that will occur that will speed things along, we don't know. But we do know that it is our responsibility to work towards a resolution. So, I plan to do my best, but I think it's really important for us all to be aware that Alaskans will have the final say, and so, we need to make sure that we work with them.

Senator Bishop: Any other comments? Seeing none, so good, that was some good opening comments. Tomorrow will be, I think, a good, healthy, robust discussion. We are all here because we want to be here. We were appointed. I didn't see anybody say no to their Presiding Officers and stepping into the breach here to try to go to the next step to help all of us try to find maybe some, maybe not new ideas, but maybe a different twist on some ideas and to provide, with the goal at the end to provide some, maybe some policy recommendations going forward that we can then implement and try to execute and get into law. So, with that being said, the group will meet as necessary. The group will be working every day, but we won't be holding meetings every day just to have a meeting. We are at that time of the year where some staff are spread out and from the Administration on other duties, Leg Finance other duties, our own staffs, but we will be working every day. We will meet when we have substance to bring to the public, and that will be worth it because we are going to be doing a lot of this work ourselves because of the time crunch with some people's schedules. So, with that being said, Co-Chair Johnston, you have something that you want to ask the committee, I believe?

Representative Johnston: Yes, and thank you for your opening statements Representative Wool, Senator Stedman and Senator Hughes. That gets us to the point that what we would like to do tomorrow. And tomorrow what we're looking for is what the expectations or deliverables are of the committee from each member. And, we'd like you to email those to the co-chairs and then we will further take a deeper dive tomorrow in how we can meet those deliverables as a committee. And when I say deliverables, we're looking for what's your expectations of the committee, what kind of research that needs to be done, what kind of presentations will be helpful. And, so, it's not just the deliverable of what you want the outcome to be. So, we look forward to getting those emails and working with each of you, and we will take that up, start taking that up, tomorrow in tomorrow's meeting.

Senator Bishop: Representative Kreiss-Tomkins.

Representative Kreiss-Tomkins: Thank you, Mr. Chair, and maybe this doubles as the second as an opening statement here. To the homework assignment, just given noted and will follow up on that. I wanted to, I guess, sort of share my perspective when I send in those thoughts that, similar to my Senate counterpart, as this working group was initially conceived, it was sort of spoken about specifically relating to the permanent fund dividend. I mean, just to sort of share my perspective and how I'm thinking about this and I imagine it will be helpful for all eight of us to sort of clarify and find alignment.

I see the permanent fund dividend as an extra complete link to the permanent fund from which, you know, the earnings are generated, and dividends paid. My own personal perspective, having something in the water in Sitka, I guess, growing up, is a very long view oriented towards a permanent fund that is around in greater size for future generations well beyond my own. But I think about the scope of the working group and the interconnectivity and interdependency of these questions that really is front and center for me. Not to say the very specific question of the dividend and the formula for the dividend and the size of the dividend shouldn't be directly tackled.

Senator Bishop: Thank you. So, just to dovetail back to Senator Stedman's earlier comments, there's going to be a comprehensive history lesson starting with Statehood compact, all the way up through and including with the Supreme Court decision in *Wielechowski v. State of Alaska*. So, and in corresponding statutes where they align, where they are in misalignment, and the statutes as to how they pertain to the fund calculation, etc. etc. So, that will be forthcoming next week. We've been working on that for several days and we're going to continue to work on that until it's ready for presentation to the public.

With that, I also, we intend to extend an invitation to the Governor asking his Administration to participate in these hearings going forward, as needed, if the topic is pertinent for that presentation. Any other questions or comments for good of the order? Seeing none. Madam Co-Chair, any closing comments?

Representative Johnston: No, thank you.

Senator Bishop: Alright. This is our committee, and it's we; there's no I here at the table. I'd like to gavel out and let the record reflect that it's 9:50 a.m.