

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

May 1, 2003

3:35 p.m.

MEMBERS PRESENT

MEMBERS ABSENT

Senator Gary Stevens, Chair
Senator John Cowdery, Vice Chair
Senator Fred Dyson
Senator Gretchen Guess
Senator Lyman Hoffman

COMMITTEE CALENDAR

HOUSE BILL NO. 45

"An Act adding a second verse to the official Alaska state song."

MOVED HB 45 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 127(STA)

"An Act relating to roadside memorials within the right-of-way of a state highway."

MOVED SCS CS HB 127(STA) OUT OF COMMITTEE

HOUSE BILL NO. 14 am

"An Act relating to an absence from the state while providing care for a terminally ill family member for purposes of determining eligibility for a permanent fund dividend; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 195

"An Act giving notice of and approving, and authorizing the entry into and issuance of certificates of participation for, the upgrade, expansion, and replacement of certain jails; and providing for an effective date."

MOVED CSSB 195(STA) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 18

Proposing amendments to the Constitution of the State of Alaska relating to limiting appropriations from and inflation-proofing the Alaska permanent fund by establishing a percent of market value spending limit.

HEARD AND HELD

PREVIOUS ACTION

HB 45 - No previous action to record.
HB 127 - See Transportation minutes dated 4/24/03
HB 14 - See State Affairs minutes dated 4/29/03
SB 195 - No previous action to record.
SJR 18 - No previous action to record.

WITNESS REGISTER

Representative Bruce Weyhrauch
Alaska State Capitol, Room 102
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor HB 45

Missouri Smith
Director, Alaska Youth Choir
Juneau, AK 99801
POSITION STATEMENT: Supported HB 45

J. Allan MacKinnon
P.O. Box 32760
Juneau, AK 99803
POSITION STATEMENT: Testified in support of HB 45

Mathew Campbell
No address provided
POSITION STATEMENT: Testified in support of HB 45

Kala Balovich
No address provided
POSITION STATEMENT: Testified in support of HB 45

Sara Landon
No address provided
POSITION STATEMENT: Testified in support of HB 45

Lori Backes
Alaska State Capitol, Room 501
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced HB 127

James Cantor
Department of Law
1031 W 4th Ave Ste 200

Anchorage, AK 99501-1994
POSITION STATEMENT: Testified on HB 127

Cheryl Riley
No address provided
POSITION STATEMENT: Testified on HB 127

Barbara Dowdy
1041 Steele Creek Road
Fairbanks, AK 99709
POSITION STATEMENT: Testified on HB 127

Rachelle Dowdy
521 A W. 20th
Anchorage, AK 99503
POSITION STATEMENT: Testified on HB 127

Jim Pound
Staff to Representative Hugh Fate
Alaska State Capitol, Room 128
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced HB 14

Jerry Burnett
Department of Corrections
431 N. Franklin, Suite 400
Juneau, AK 99801
POSITION STATEMENT: Testified on SB 195

Devon Mitchell
Debt Manager
Department of Revenue
PO Box 110400
Juneau, AK 99811-0400
POSITION STATEMENT: Testified on SB 195

Linda Freed
Manager, City of Kodiak
710 Mill Bay Road
Kodiak, AK 99615
POSITION STATEMENT: Testified on SB 195

Laura Achee
Staff to Representative Ralph Samuels
Alaska State Capitol, Room 412
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced SJR 18

ACTION NARRATIVE

TAPE 03-24, SIDE A

CHAIR GARY STEVENS called the Senate State Affairs Standing Committee meeting to order at 3:35 p.m. Present were Senators Dyson, Cowdery, Guess and Chair Gary Stevens. Senator Hoffman arrived momentarily.

The first order of business was HB 45.

#HB 45

HB 45-SECOND VERSE OF ALASKA'S STATE SONG

REPRESENTATIVE BRUCE WEYHRAUCH, sponsor of HB 45, stated that the issue to adopt the second verse of the Alaska flag song has been before the Legislature several times. Most recently it was co-sponsored by Senate President Rick Halford.

During the Governor's inauguration he learned that the second verse isn't part of the official song even though it was sung there, children sing it in school, and it was sung when members were sworn into the House. He said this would be an opportunity for the Legislature to follow what the public is already doing.

In researching how the verse was developed, why it was promoted, who sings it, and why, it became apparent the public believes the flag song should incorporate the sentiments expressed in verse two. It's a tribute to Benny Benson, the young man who designed and drew the "state stars of gold on a field of blue." It celebrates Alaska as a society open to all peoples and cultures.

CHAIR GARY STEVENS invited the Alaska Youth Choir to come forward.

MISSOURI SMYTH, Artistic Director for the Alaska Youth Choir introduced herself and led a small ensemble within the choir in singing the second verse of the Alaska flag song.

SENATOR JOHN COWDERY said he has been in Alaska for a long time, is proud of the Alaska flag song and doesn't want it to change.

REPRESENTATIVE WEYHRAUCH replied the Legislature would make a statement if it adopted the second verse and it would make the song an integrated whole.

SENATOR COWDERY asked if not approving the second verse makes a statement.

REPRESENTATIVE WEYHRAUCH said that when the Legislature does something, you are able to read their intent. When they change words, it means something. When the Legislature doesn't pass a bill, it means it didn't have the political support to get through. It's not necessarily a statement against the issue.

SENATOR COWDERY inquired about the associated costs.

REPRESENTATIVE WEYHRAUCH pointed out the zero fiscal note. The statute would be revised and the public would decide what to do from that point.

SENATOR COWDERY asked if he would favor four additional verses.

REPRESENTATIVE WEYHRAUCH said he would not. He noted that Carol Beery Davis, former poet laureate of Alaska, wrote the second verse and school children sing it and understand it and enjoy talking about it.

SENATOR DYSON expressed gratitude to the sponsor for introducing the bill. In response to Senator Cowdery, but not directed at him, he said, "I think it is always presumption when we presume to think what somebody else means or what their vote means...and I think it's off the reservation of what I consider to be ethical conduct to presume that I know what somebody else's intentions are about what they did or didn't..."

SENATOR COWDERY replied, "I didn't intend to say that."

SENATOR DYSON assured him his comments weren't directed at anyone in particular. He said that as a culture, we learn as we grow. When this issue came up, he looked at the verse and the state seal and found that neither has any recognition or acknowledgement of the role that Alaska Natives have made and continue to make in this country. It's altogether proper to say, "We could do better." and it's a mark of maturity to do better. It would be more than a gesture to have the Alaska song and perhaps the seal explicitly acknowledge the profound contribution Alaska's aboriginal people have made.

CHAIR GARY STEVENS commented he always enjoyed the song and it was likely the first verse would continue to be sung more frequently than the second. Intellectually, it's always bothered

him that just the Sourdough is mentioned in the first verse. Although the Sourdough was an important aspect of Alaska history, neglecting up to 50,000 years of aboriginal pre-history as well as the Russian history has always been bothersome.

When he was first in Alaska, he had the pleasure of knowing Benny Benson. He had great respect for him and is pleased he is mentioned in the second verse. After all, the song is called "Alaska's Flag" and Mr. Benson is the man who designed it.

J. ALLAN MACKINNON urged members to support HB 45 adding there are a number of reasons the bill hasn't passed in previous years. When Marie Drake wrote the poem to describe the flag designing contest, the dynamics of the time were such that there probably wasn't any thought given to aboriginal or Russian history in Alaska.

Carol Beery Davis was a contemporary of Marie Drake and Elinor Dusenbury and she also had ties to the Native community. As time and perspective changed, there were discussions about being more inclusive and recognizing the contributions of all Alaskans. Mrs. Davis wrote the second verse and gifted it to the University of Alaska Foundation in February 1987.

MATHEW CAMPBELL asked, "Please help our second verse be noticed by all Alaska."

KALA BALOVICH asked, "Please help our Governor and please vote yes."

SARA LANDON said, "Please make Alaska state song verse two because some of us are Native and it represents our culture."

SENATOR DYSON announced, "Whether we do this or don't do this may not make a statement for various individuals, but for me it does."

SENATOR COWDERY advised he homesteaded in territorial days and he still cherishes the land. He is a traditionalist and that follows his earlier statement.

SENATOR LYMAN HOFFMAN said the verse is good. He advised that his paternal great-grandfather had a trading post on the Kuskokwim and church records indicate he guided the Bethel founding fathers up the Kuskokwim River in 1884. His great-grandfather married a Native woman and one hundred years later, a Hoffman family reunion in the Bethel area was five hundred

strong. The second verse recognizes the merging of two cultures and how Alaska was founded.

SENATOR DYSON made a motion to move HB 45 from committee with individual recommendations and zero fiscal note. There being no objection, it was so ordered.

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#HB 127

HB 127-ROADSIDE MEMORIALS

LORI BACKES, staff to Representative Jim Whittaker, said HB 127 seeks to allow Alaskans the right to express their grief at the loss of a loved one with as little governmental interference as possible. When someone is killed on an Alaskan highway, family and friends sometimes place a memorial at the site of the accident. The memorials serve two purposes. First they pay tribute to the individual who died, and second they warn other travelers of the potential tragedy associated with dangerous driving.

Most states allow such memorials either officially or unofficially. Although Alaska Department of Transportation and Public Facilities (DOTPF) has traditionally ignored them, two years ago they gave notice that personal memorials would have to be removed. As a result, the mother of a person killed by a drunk driver in the Fairbanks area circulated a petition requesting the state continue to allow the memorials.

HB 127 sets out to clarify that the state won't discourage the placing of such memorials, but they will reasonably regulate them so as not to allow unsafe distractions and hazards in Alaska's rights of way.

The Department of Law (DOL) requested an amendment to the bill, which would avoid any liability to the state should a person suffer injury or damage as a result of the placement of a memorial. Representative Whitaker didn't object to the amendment she said.

SENATOR JOHN COWDERY noted the Senate Transportation Committee also amended the bill.

MS. BACKUS said the language in the original bill read, "a person who died in a traffic accident" and the amended language was, "a person who died as a result of a traffic accident."

SENATOR COWDERY asked what types of memorials would be allowed and for the definition of temporary.

MS. BACKUS explained that temporary isn't intended to be any particular length of time; it simply indicates the memorials aren't permanent fixtures. She read page 1, lines 10-12 and said a cement structure probably would not be allowed. It's been made clear to DOTPF that they would be expected to craft guidelines based on their knowledge of the realm of safety.

SENATOR COWDERY noted there have been legal problems associated with expanding roads or buildings when they infringe on private burial grounds. He asked what would happen if a road was expanded.

MS BACKUS stated that all memorials would have contact information in case the memorial needed to be moved. If the contact information was not up to date or the contact individual wasn't able to move the memorial, the contractor, working through DOTPF, would have the authority to do so.

SENATOR COWDERY asked for assurance that there was no intent for the state to be held liable if contact information on the memorials became outdated.

MS. BACKUS replied DOTPF would have full authorization to move the memorial.

SENATOR COWDERY said he intended to vote in favor of the legislation and he believes memorials send a safety message.

SENATOR LYMAN HOFFMAN questioned whether this would jeopardize any federal funding.

MS. BACKUS replied DOTPF was concerned about that because of language in the Highway Beautification Program that speaks to what would happen if a state didn't control encroachments in the highway rights-of-way. The sponsor believes the legislation allows the state the latitude to control encroachments to a satisfactory degree and the department has never been threatened with a loss of funding.

She said Lady Byrd Johnson did not intend for her program to impact these types of memorials.

CHAIR GARY STEVENS asked the DOL to comment on the amendment.

JIM CANTOR from the Attorney General's office explained that the amendment would add immunity for damage or injury as a result of the placement of the memorial. The concern is that modern highways are designed with a clear zone concept, which is the zone where a vehicle could leave the highway and not hit something. Allowing memorials in the clear zone could subject the state to liability.

Since the program is designed to eliminate governmental interference, they propose this as a way to go forward without increasing the fiscal cost to the state.

SIDE B

4:20 pm

CHAIR GARY STEVENS asked if the state could make itself not liable by announcing it was not liable.

MR. CANTOR replied, "Yes."

SENATOR COWDERY made a motion to adopt amendment #1. Page 2, line 8, following "damage to": insert ",or damage or injury resulting from the presence of," There was no objection.

BARBARA DOWDY read a statement from Sheryl Riley into the record relating Heather Dowdy's story. She was a vibrant, productive 17-year-old student who was ready to graduate from high school when she was hit and killed by a drunk driver.

BARBARA DOWDY, Heather's mother, testified she is a member of the MADD chapter in Fairbanks and she fully supports passage of HB 127. On her way to deliver her testimony, she traveled the Old Steese Highway so she could stop and place fresh flowers on Heather's cross. She noted others had left flowers as well. She said that roadside memorials let people know that a loved one is remembered and their passing is noticed.

RACHAEL DOWDY, Heather's sister, outlined the last day of Heather's life. After the accident, family and friends placed a roadside memorial in her memory and to help in their healing process. She said that roadside memorials remind people that driving fatalities are personal and Heather's family has anecdotal evidence that her memorial has changed at least one person's drinking and driving behavior. They are sure the standard DOTPF sign would not have this same affect.

She then read a statement written by Sandy Gillespie, Heather's sister-in-law, supporting HB 127.

There was no further testimony.

SENATOR COWDERY made a motion to move SCS HB 127(STA) from committee with individual recommendations and zero fiscal note. There being no objection, it was so ordered.

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#HB 14

HB 14-PERMANENT FUND ALLOWABLE ABSENCES

CHAIR GARY STEVENS announced HB 14 was heard previously and the committee was waiting for answers to several questions.

JIM POUND, staff to Representative Hugh Fate, advised the answers were addressed in a memo that had been distributed. In particular, the term canon law was used as an interpretation of family so some more liberal definitions would not apply.

SENATOR GRETCHEN GUESS made reference to Tamara Cook's memo and asked why the bill didn't simply list the family members that would be included rather than use canon law, which is a confusing term.

CHAIR GARY STEVENS asked Mr. Pound if doing so would present a problem.

MR. POUND reported the term canon law was used to eliminate wordiness.

CHAIR GARY STEVENS commented he thought using the term was confusing and he would support an amendment.

SENATOR GUESS made a motion to adopt conceptual amendment #1 to delete the term "canon law" and refer specifically to the family members that are within the second degree of kinship under canon law. This would include: mother, father, sister, brother, grandfather, grandmother, son, daughter, grandson, granddaughter, uncle, aunt, niece, nephew and first cousin. There was no objection to amendment #1.

SENATOR GUESS noted the sponsor's memo said the original bill was drafted solely to address the terminally ill and life-threatening illness and settling an estate weren't included.

Because life threatening and terminal illnesses are both very stressful, she questioned why he did that.

MR. POUND said the sponsor wanted to address terminal illness and when originally drafted, the others didn't seem to be as important.

The bill evolved from its original intent, which was to add grandparent to the original language. Grandparent was changed to family member and perhaps that's part of the difficulty.

SENATOR GUESS said there could be a fine line distinguishing the two and paragraphs (6) and (7) were inconsistent.

CHAIR GARY STEVENS asked Mr. Pound if he had comments on proposed amendment #2 that was discussed at the previous hearing.

MR. POUND was under the impression that amendment #1 would address proposed amendment #2 as well.

SENATOR GUESS said the issue would be guardianship and the drafter would have to address the changes.

CHAIR GARY STEVENS noted the next committee of referral was finance and the bill could be amended in either committee.

SENATOR GUESS commented the Finance Committee is very busy and she would prefer amending the bill before passing it on.

SENATOR FRED DYSON noted a meeting could be called as soon as the amendment was drafted since the 24-hour rule was in effect.

CHAIR GARY STEVENS held HB 14 in committee.
#

#SB 195

SB 195-CERTIFICATES OF PARTICIPATION FOR JAILS

CHAIR GARY STEVENS announced there was a proposed committee substitute (CS) before the committee.

SENATOR JOHN COWDERY made a motion to adopt CSSB 195 \D version as the working document. There was no objection.

CHAIR GARY STEVENS explained the bill would provide certificates of participation (COP) for the upgrade and expansion of certain jails that are in need of expansion or replacement.

There are 15 community jails throughout rural Alaska and four of them are at the top of the needs list. The community jails in Dillingham and Kotzebue are top priority due to the high demand for their services while the North Slope Borough Community Jail needs more beds and has no room to expand. The Kodiak Community Jail needs to be replaced because it is old and in poor condition.

The bill would provide COPs to be issued and each of the four municipalities would receive \$4,000,000 provided they agreed to match the funds.

JERRY BURNETT, Director of Administrative Services for the Department of Corrections, agreed that the four community jails were of top priority. He pointed out that community jails are an integral pre-trial component of the state correctional system and that the need for expansion is critical. The department requested federal funds for all four through both OMB (Office of Management and Budget) and the Alaska Congressional Delegation. They took no position as to whether COPs were the appropriate financing method.

SENATOR GRETCHEN GUESS asked whether federal funds would be available in the next year.

MR. BURNETT said they didn't know.

SENATOR COWDERY asked if the maintenance appropriations were for the entire jail or just the additions.

MR. BURNETT replied the annual 3.3 million additional funding would be for the additional capacity. The department currently has about \$4.8 million for community jails in the operating budget and they currently operate 153 beds.

SENATOR COWDERY asked if they would try to standardize the size and design of the facilities.

MR. BURNETT replied he was unaware of any standardized design. Although they wouldn't oppose it, some of the jails were already designed.

SENATOR COWDERY asked if there was a benefit to constructing larger facilities initially.

MR. BURNETT said he couldn't speak to that, but this would alleviate some of the overcrowding in the state facilities in Bethel and Nome that are currently operating at over 100 percent capacity.

SENATOR COWDERY asked if these were all pre-trial facilities.

MR. BURNETT said the primary use of community jails is for pretrial or short sentences. The four community jails under discussion are all in communities that have a superior court so the people housed in those jails must appear in court in that community.

SENATOR COWDERY asked if need is tied to population growth.

MR. BURNETT said the number of people in the state facilities has increased at a higher rate than the population growth, but there is a strong correlation.

SENATOR GRETCHEN GUESS asked if fewer inmate transfers would result in a savings.

MR. BURNETT said there are bi-weekly transfers between community jails and the facilities in Bethel and Nome and sometimes there are more frequent transports due to overcapacity. Expanding the jails would reduce transfer costs, but actual savings are difficult to define.

SENATOR COWDERY asked for the average length of stay.

MR. BURNETT didn't have that data with him.

CHAIR GARY STEVENS said the Kodiak City Manager probably had the information.

DEVIN MITCHELL, Debt Manager for the Department of Revenue, explained the bill authorizes the issue of up to four COPs. They are leased back securities of the State of Alaska that are subject to appropriation for repayment. They are A-rated and garner low interest rates. They have a 15-year term and, with the current low interest rates, they would probably return about 4.5 percent interest on the borrowed money. In the bill, this correlates to about \$1.6 million annually.

The community would have a trustee act on its behalf to take a title-interest in the jail. In the event the state failed to appropriate, the trustee would take the facility and attempt to make bondholders whole. Also at issue is additional State of Alaska debt as it correlates to its bond ratings. The state recently issued \$461 million in general obligation debt and although it's unlikely that SB 195 would rise to the level that it would impact state ratings, if much more money were involved the department would probably ask that ongoing revenues match ongoing expenditures.

CHAIR GARY STEVENS noted the total payments for the full term of the COPs are estimated to be \$24,000,000 rather than \$30,000,000 as in previous years due to the change in interest rates.

MR. MITCHELL agreed then pointed out that the numbers in the bill were estimated higher than the current rate. Because today's interest rates are extraordinarily low, the department cushioned the figures to avoid an underestimate.

SENATOR COWDERY asked if privatization would save the state money.

MR. MITCHELL replied he know nothing about prison operations.

LINDA FREED, Kodiak City Manager, testified via teleconference in strong support of SB 195. On behalf of the state, the City of Kodiak operates a community jail for the entire region. Under the current contract, the city is liable for any activity that occurs in the jail and although they have a cooperative working relationship with the Department of Corrections, the city's liability is rising as the building ages.

Increasing the number of beds to 20 would provide expansion capability into the future. They hope to be able to house prisoners for up to 30 days in the new facility instead of just 10 days. The city would be able to house special needs prisoners and operate more efficiently.

The city is unable to underwrite the entire cost of a jail for the state, but they are happy to work through SB 195 and pay a cost share. They are committing the land, the design and engineering and they are willing to bond under their local capacity as long as they have some commitment from the state to pay back the debt service on the portion of the building that is committed to the jail.

5:05 pm

SENATOR COWDERY asked if the current building is unsafe.

MS. FREED replied the building isn't unsafe, but the roof needs to be replaced and there are problems with the foundation. The city has determined it would be more cost efficient to replace this and several other old city buildings rather than continuing to make repairs.

TAPE 03-25, SIDE A

SENATOR COWDERY asked about prisoner escapes.

MS. FREED reported they have had no problems with escapes.

SENATOR FRED DYSON made a motion to move CSSB 195(STA)\D and the attached fiscal notes from committee with individual recommendations. There being no objection, it was so ordered.

#

#SJR 18

SJR 18-CONST. AM: PF APPROPS/INFLATION-PROOFING

CHAIR GARY STEVENS announced his intention was to introduce the bill and take initial testimony.

LAURA ACHEE, aide to the Legislative Budget and Audit Committee and Representative Ralph Samuels, introduced Mr. Bartholomew.

BOB BARTHOLOMEW, Chief Operating Officer for the Alaska Permanent Fund Corporation, highlighted why the board believes this is a good public policy issue to be brought to a vote of the people in November 2004.

- For 23 of the last 27 years the board's number one objective has been to manage the Permanent Fund so that it is protected against inflation.
- The second objective is to ensure there is an annual dividend distribution.
- The board believes the proposal to change the statute would better protect the Permanent Fund against inflation.
- The proposal changes how to determine what is available from the Permanent Fund by going to a payout based on market value (POMV).

- POMV provides a limit on what can be spent from the Permanent Fund.
- In good years POMV stops overspending and in down years it makes an annual distribution available.
- Currently, the annual distribution could go to zero.

SENATOR JOHN COWDERY understood the proposal didn't include the previous year and he asked why not simply average from the last five years.

MR. BARTHOLOMEW explained the amendment recommends not counting the current fiscal year so in January the Legislature would know how much money would be available. For example, to determine how much money should be available for FY04, which is the budget currently before the Legislature, you would take a five-year average that ends June 30, 2002.

SENATOR COWDERY asked how much would be available.

MR. BARTHOLOMEW replied \$1.2 billion would be available under a five percent limit.

SENATOR COWDERY asked if the entire \$1.2 billion would be distributed as dividends.

MR. BARTHOLOMEW said it would not. Current statute determines that one-half of what is available goes to the dividend then inflation proofing is paid. It is silent with regard to the balance and, historically, the balance hasn't been appropriated other than out of the earnings reserve into principal.

SENATOR COWDERY asked if the one-half would result in a \$1,000 dividend check.

MR. BARTHOLOMEW replied that if the financial markets were to stay flat between now and June 30, the dividend would be approximately \$1,100. However, if the markets were to correct downward, it could be lower due to the limitations.

SENATOR COWDERY commented there is a chance of a zero dividend this year or next without the amendments, but with the amendments there would be a \$1,000 dividend.

MR. BARTHOLOMEW agreed provided the formula remained unchanged.

CHAIR GARY STEVENS announced he would like to hear from Ms. Griswold at the Homer LIO before adjourning the hearing.

MARY GRISWOLD from Homer testified in support of the bill.

SJR 18 constitutionally inflation proofs the entire Permanent Fund. It sets a spending limit to prohibit excess appropriations in flush years while making distributions available in lean years.

POMV is compatible with the fund's diversified portfolio that is managed for long-term value over short-term gains. A five POMV payout protects the value of the fund and provides a limited and predictable and sustainable revenue stream. This is a management tool and not a distribution plan, but the two are inherently linked. The use of a payout shouldn't be set in the constitution because it's an appropriation issue.

AS 37.13.140 and AS 37.13.145 relating to the Permanent Fund income and income distribution must be amended to conform to five POMV because they would no longer apply as written. Establishing a comparable dividend formula when the statutes are changed is advisable because five POMV is too valuable an asset to risk voter rejection by threatening their dividend checks.

For the purposes of a model, assume an eight percent total return, three percent inflation and a five percent real return. Under existing statute, 50 percent of the income available for distribution goes to the dividend program. Inflation proofing then takes three percent, leaving one percent for other legislative appropriations, which has never been touched. For this distribution to work under POMV, 80 percent of the five percent payout must be allocated to the dividend program to provide a comparable amount of money. Inflation proofing of three percent has already been accounted for by establishing a five percent payout limit, leaving 20 percent of the payout for other legislative appropriations, which is the

same as the one percent under existing distribution statutes. Fifty percent of the money available for distribution before inflation proofing equals 80 percent of the money available for distribution after inflation proofing. Fifty percent of eight translates to 80 percent of five.

This constitutional amendment, combined with a change to the statutes, securing 80 percent of the annual payout for dividends is a critical step and a three-way win. The Permanent Fund gets a better management framework, the Legislature gets a predictable revenue stream, and the people keep their dividend formula.

CHAIR GARY STEVENS remarked this isn't an easy issue to comprehend or explain. He asked what kind of response she receives as she explains this to her friends and neighbors.

MS GRISWOLD told him most people don't understand POMV; they just want to know how it would affect their dividend. When she explains that if the payout is allocated 80/20, their dividend check won't be affected and they're pleased. It's interesting that they don't understand the rest and her main concern is "the rest of it." A 50/50 split would require voter approval and she's sure it would be defeated.

SENATOR DYSON asked if she believes that funds should be allocated to educate voters.

MS. GRISWOLD said voter education is very important.

SENATOR DYSON noted that if care isn't taken, this could be interpreted as jeopardizing the status quo, which is perceived to be a golden goose.

MS. GRISWOLD said she believes the Alaska Permanent Fund Corporation has hired a communication specialist who could provide educational services.

SENATOR DYSON wasn't sure it was legal for the corporation to use money from the earnings to lobby the public.

SENATOR COWDERY commented the Legislature could appropriate the earnings to educate the public.

MR. BARTHOLOMEW advised he would return for the next hearing and concluded his comments by restating the board's two objectives:

- Inflation proof the Permanent Fund constitutionally rather than with an annual statutory appropriation
- Remove the word "principal" from the constitution so it assures an annual distribution and that protection is provided through the spending limit

CHAIR GARY STEVENS stated this is an important issue that everyone should understand and feel comfortable with before it moves. With that, he announced he would hold SJR 18 in committee for further discussion.

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There being no further business to come before the committee, Chair Gary Stevens adjourned the meeting at 5:30 pm.