

HOUSE FINANCE COMMITTEE
January 24, 2006
1:36 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:36:33 PM](#).

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch
Representative Bill Stoltze, Vice-Chair

MEMBERS ABSENT

Representative Mike Chenault, Co-Chair

ALSO PRESENT

Representative Bill Thomas; Ian Fisk, Staff, Representative Bill Thomas; Wayne Stevens, President, Alaska State Chamber of Commerce

PRESENT VIA TELECONFERENCE

None

SUMMARY

HB 144 "An Act authorizing an advisory vote on whether income of the Alaska permanent fund in the earnings reserve account should be used for a community dividend program."

HB 144 was heard and HELD in Committee for further consideration.

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HOUSE BILL NO. 144

"An Act authorizing an advisory vote on whether income of the Alaska permanent fund in the earnings reserve account should be used for a community dividend program."

[1:38:18 PM](#)

REPRESENTATIVE BILL THOMAS, SPONSOR, explained the need for HB 144 due to the elimination of state revenue sharing for communities, increasing costs, and the need for a sustainable source of income. Income from the Alaska permanent fund, in the form of dividends, would go to local governments to spend on budget shortfalls. The question posed by HB 144 is if the legislature should appropriate up to \$150 million annually from the unreserved earnings of the permanent fund to a community dividend program.

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Representative Thomas mentioned his role as a member of the House Community and Regional Affairs Committee and his dealings with community requests for financial aid. He pointed out that after 10 years, the bill would have only a minimal \$50 impact on permanent fund recipients. He referred to a handout "Financial projection comparison of the Alaska Permanent Fund under current statutes versus HB 144" (copy on file.) The money would be inflation-proofed first before it is applied toward a community dividend. He referred to the continuation of the 30-year old state community dividend program as a model for the distribution plan.

Representative Thomas noted that the House State Affairs Committee changed the language of HB 144 regarding inflation proofing. He observed that the change allowed for more flexibility.

IAN FISK, STAFF, REPRESENTATIVE BILL THOMAS, interjected that language of intent was added on page 1, line 6, which clarifies the sponsor's intent to follow the current community dividend program. The definition of a social unit is included.

Representative Thomas highlighted amounts that various cities would receive under this bill in the handout on "Community Dividend Estimates" (copy on file.) He termed HB 144 as a way to share the state's wealth. He stated, "The rainy day is here".

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Co-Chair Meyer asked if Representative Thomas would agree to an amendment that would take away the advisory vote. Representative Thomas replied yes; the bill is a fair way dividends can be paid back to communities without any political urban/rural issues.

Representative Weyhrauch voiced a concern about the political undertones involving an advisory vote, which would lead to inaccurate debates about taking money away from permanent fund dividends. He maintained that the legislature should take responsibility for making the decision to get rid of the advisory vote and use the funds as they were intended, to help Alaskans.

Representative Thomas agreed. He reiterated that he is for a community dividend.

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Representative Kerttula asked if Representative Thomas had considered using an endowment fund. Representative Thomas replied that he looks at the permanent fund earnings as an endowment, rather than creating one.

Representative Kerttula inquired if Representative Thomas' staff is working on the possible problem that some communities might receive double amounts. Representative Thomas responded that the method that has been in place for 30 years is being refined to make sure it fits today's situation.

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Representative Kelly asked for a definition of "social unit" on page 2, line 5 of the bill. Representative Thomas said 25 or more people. Representative Kelly asked if it applies to tribal governments. Representative Thomas replied that it does - as unorganized municipalities under the old plan. It gives tribes an incentive to organize as a municipality.

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WAYNE STEVENS, PRESIDENT, ALASKA STATE CHAMBER OF COMMERCE, explained that one of the Chamber's top six legislative priorities is to implement a community dividend program. He read as follows:

The State Chamber of Commerce urges the Legislature to implement a sustainable community dividend using an endowment management method to provide local tax relief to business and families, and to assist in providing basic public services throughout Alaska.

He applauded Representative Thomas' efforts on HB 144. He pointed out that the bill is important for many reasons. He urged adoption of a community dividend program.

Co-Chair Meyer noted that a community dividend could be used for local tax relief. Mr. Stevens agreed.

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Representative Hawker referred to the policy statement by the Chamber of Commerce and the subject of sustainability. He inquired if spending permanent fund earnings might lessen the long-term value of the fund. He wondered if a percent of market value (POMV) endowment method might be an equally valid method of creating a community dividend program. Mr. Stevens agreed that the POMV is one of the many tools with which to manage one's resources and should be discussed. He pointed out that it would be prudent for citizens of the state to recognize that the original ballot language said to create a rainy day account. It did not say to create a check in perpetuity. It is important now to define "rainy day".

Representative Hawker asked if the Chamber of Commerce has a preferred method of funding for a community dividend program. Mr. Stevens reported that a discussion about the method of funding is important, but that the Chamber has no preference as to which method.

Representative Stoltze wondered if the Alaska Municipal League received notice of the meeting.

Representative Joule noted that they were at two prior hearings. Representative Thomas explained a change of heart by the League last year.

[2:03:41 PM](#)

In response to a question by Representative Weyhrauch, Mr. Stevens explained that he works full time for the Chamber of Commerce. Representative Weyhrauch thanked him for his testimony.

Representative Kelly wondered if funding for this plan would be in jeopardy if oil prices decrease. Mr. Stevens replied that there would be a problem, and that is why this plan must be sustainable, otherwise programs will be cut. A discussion should happen on ways to make the funding sustainable.

Representative Kelly agreed that sustainability is important.

[2:08:14 PM](#)

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ADJOURNMENT

The meeting was adjourned at 2:09 PM