

**ALASKA STATE LEGISLATURE
HOUSE JUDICIARY STANDING COMMITTEE**

January 28, 2008

1:06 p.m.

MEMBERS PRESENT

Representative Jay Ramras, Chair
Representative Nancy Dahlstrom, Vice Chair
Representative John Coghill
Representative Ralph Samuels
Representative Lindsey Holmes

MEMBERS ABSENT

Representative Bob Lynn
Representative Max Gruenberg

OTHER LEGISLATORS PRESENT

Representative Mike Kelly

COMMITTEE CALENDAR

HOUSE CONCURRENT RESOLUTION NO. 15

Urging the governor to direct the attorney general to file an amicus curiae brief with the United States Supreme Court in the case of Parker v. District of Columbia, supporting the individual right to keep and bear arms under the Second Amendment to the United States Constitution.

- MOVED CSHCR 15(JUD) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 28

Proposing an amendment to the Constitution of the State of Alaska relating to the production tax revenue fund, dedicating a portion of the petroleum production tax to the fund, and limiting appropriations from the fund.

- HEARD AND HELD

HOUSE JOINT RESOLUTION NO. 27

Proposing an amendment to the Constitution of the State of Alaska authorizing a contractual limitation on taxes related to the production of gas for the purpose of providing fiscal certainty for the construction of a natural gas pipeline.

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HCR 15

SHORT TITLE: AMICUS BRIEF REGARDING RIGHT TO BEAR ARMS

SPONSOR(S): REPRESENTATIVE(S) HARRIS

01/15/08 (H) READ THE FIRST TIME - REFERRALS
01/15/08 (H) JUD
01/28/08 (H) JUD AT 1:00 PM CAPITOL 120

BILL: HJR 28

SHORT TITLE: CONST. AM: PRODUCTION TAX REVENUE FUND

SPONSOR(S): REPRESENTATIVE(S) SAMUELS

01/11/08 (H) PREFILE RELEASED 1/11/08
01/15/08 (H) READ THE FIRST TIME - REFERRALS
01/15/08 (H) JUD, FIN
01/25/08 (H) JUD AT 1:00 PM CAPITOL 120
01/25/08 (H) -- MEETING CANCELED --
01/28/08 (H) JUD AT 1:00 PM CAPITOL 120

WITNESS REGISTER

JOHN MANLY, Communications Assistant
House Majority Office
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HCR 15 on behalf of the sponsor,
Representative John Harris.

EDWARD GRASSER
House/Senate Majority
Alaska State Legislature
Anchorage, Alaska

POSITION STATEMENT: Provided comments during discussion of
HCR 15.

CHERYL NIENHUIS, Petroleum Economist I
Economic Research Group
Tax Division
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Responded to questions during discussion of
HJR 28.

JERRY BURNETT, Director
Administrative Services Division
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Responded to questions during discussion of HJR 28.

LAURA ACHEE, Research and Communications Liaison
Alaska Permanent Fund Corporation (APFC)
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Responded to a question during discussion of HJR 28.

ACTION NARRATIVE

CHAIR JAY RAMRAS called the House Judiciary Standing Committee meeting to order at [1:06:50 PM](#). Representatives Coghill, Samuels, Holmes, Dahlstrom, and Ramras were present at the call to order. Representative Kelly was also in attendance.

HCR 15 - AMICUS BRIEF REGARDING RIGHT TO BEAR ARMS

[1:07:49 PM](#)

CHAIR RAMRAS announced that the first order of business would be HOUSE CONCURRENT RESOLUTION NO. 15, Urging the governor to direct the attorney general to file an amicus curiae brief with the United States Supreme Court in the case of Parker v. District of Columbia, supporting the individual right to keep and bear arms under the Second Amendment to the United States Constitution.

REPRESENTATIVE DAHLSTROM moved to adopt the proposed committee substitute (CS) for HCR 15, Version 25-LS1314\E, Luckhaupt, 1/24/08, as the work draft. There being no objection, Version E was before the committee.

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JOHN MANLY, Communications Assistant, House Majority Office, Alaska State Legislature, explained on behalf of Representative John Harris, sponsor, that HCR 15 asks the governor to direct the attorney general to file an [amicus curiae] brief with the [U.S. Supreme Court in District of Columbia v. Heller], a "gun rights case" which is hoped will delineate that the right provided by the Second Amendment is an individual right to keep

and bear arms and not a collective right that can be easily regulated by government. He offered his understanding that the attorney general does intend to sign onto the amicus curiae brief being brought by the State of Texas, but offered his belief that it is still important to go forth with HCR 15 because it makes an important statement. In conclusion, he posited that the sponsor would be amenable to any amendment that would assist the attorney general in his endeavors regarding this issue.

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EDWARD GRASSER, House/Senate Majority, Alaska State Legislature, added that Heller is a landmark lawsuit that's been going through the courts; the District of Columbia has appealed the district court opinion that the District of Columbia doesn't have the right to unilaterally take all guns away from its citizens - which it had been doing - because of the right granted by the Second Amendment. Many who support the Second Amendment have been looking forward to this case, believing that it will in part lay to rest the question of whether the Second Amendment supports the individual's right to keep and bear arms. In conclusion, he said: "It's important to note that this is an idea that's supported quite heavily in the state of Alaska; if you'll recall, the 1994 constitutional amendment passed overwhelming, making it clear that in ... the [Alaska State Constitution], the right to keep and bear arms is an individual right."

REPRESENTATIVE COGHILL asked for clarification regarding what the administration has done so far and "how we might operate in the language of this particular thing to make it work properly." He then relayed that he'd just received a note and would be giving what it said further consideration.

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CHAIR RAMRAS, after ascertaining that no one else wished to testify, closed public testimony on HCR 15.

REPRESENTATIVE DAHLSTROM moved to report the proposed CS for HCR 15, Version 25-LS1314\E, Luckhaupt, 1/24/08, out of committee with individual recommendations [and the accompanying fiscal notes].

REPRESENTATIVE COGHILL objected, remarked "If, in fact, there is something moving, I might ask for it to come to [the House Rules

Standing Committee] to amend the resolve section ...," and then removed his objection.

CHAIR RAMRAS, indicating that there were no further objections, announced that CSHCR 15(JUD) was reported from the House Judiciary Standing Committee.

HJR 28 - CONST. AM: PRODUCTION TAX REVENUE FUND

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CHAIR RAMRAS announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 28, Proposing an amendment to the Constitution of the State of Alaska relating to the production tax revenue fund, dedicating a portion of the petroleum production tax to the fund, and limiting appropriations from the fund.

REPRESENTATIVE SAMUELS, speaking as the sponsor of HJR 28, offered that his philosophy regarding HJR 28 is that everyone - whether they be legislators or members of the public - is cognizant of the current "largess of money" and believes that it should be saved. Politics being what they are, budgets tend to go up - the needs tend to keep increasing - and his fear, he relayed, is that if that money is not saved for long-term cash flow, eventually it will just be spent. House Joint Resolution 28, he remarked, is truly a long-term savings plan that will "spin out" cash flow - it's a long-term cash flow mechanism - and if the voters decide to adopt this proposed constitutional amendment, "we would take all of the money that is the progressivity tax on the severance tax right now." Currently, HJR 28 provides for a maximum payout rate of 4.5 percent of the total in the proposed production tax revenue fund, though what that percentage should ultimately be could still be debated; for example, a lot of large endowments are required by federal law to pay out at 5 percent.

REPRESENTATIVE SAMUELS offered that with the payout methodology provided for via HJR 28, if the market in which the investments are held is really good, the payout will be up slightly, and if it isn't, the payout will be a little bit less, and the payout will always go into the general fund (GF). The proposed constitutional amendment does not, however, say what that money will be spent on - that will be up to future legislatures to decide. One downside to putting the aforementioned production tax revenue into the Constitutional Budget Reserve Fund (CBRF) is that it will only be saved until it is needed, and ultimately

it will be spent along with the rest of the CBRF, though putting the money into the CBRF would not be a bad thing. If the production tax revenue is simply allowed to remain in the GF, he cautioned, it could result in budget increases. He offered his belief that the governor has proposed legislation similar to what HJR 28 is proposing, but opined that it doesn't go far enough because it would statutorily put the production tax revenue into an account that the legislature has access to.

REPRESENTATIVE SAMUELS proffered that under HJR 28, the principal of the production tax revenue will always be protected and there will also be a steady cash flow, though small. The only downside to HJR 28's proposal, he surmised, is that as production continues to decline, it might get to the point where the money on the progressive portion of the oil tax is needed to balance the budget, thereby raising the question of whether legislators would want to be putting money into a "savings account" while the "checking account" is running dry. One alternative that could address that question would be to add a sunset clause such that after five or six years, the legislature wouldn't be constitutionally obligated to keep putting production tax revenue into the proposed fund. Referring to that proposed account, he relayed that other legislation moving through the process will address issues such as who manages the fund. Also, language could be added [to that other legislation] that would allow the legislature to put other monies into the proposed fund if the legislature so chooses.

REPRESENTATIVE SAMUELS noted that one question he's heard is, why not simply restructure the CBRF such that "you could actually start spinning some cash off," but because he likes the idea of having a diversified portfolio for the state, he would rather start the proposed fund, put some money into it, and then let the next legislature decide what to do with the CBRF, the proposed fund, and whether to continue putting money into it.

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REPRESENTATIVE DAHLSTROM asked Representative Samuels whether his intent is for the legislature to first pay back what is owed to the CBRF and then start putting the production tax revenue into the proposed fund.

REPRESENTATIVE SAMUELS said no; if, after the fund "spun off cash," the legislature wanted to appropriate that money into the CBRF, it could then do so. The proposal being offered via HJR 28 would start a separate fund for long-term cash flow.

CHAIR RAMRAS asked how much the "progressivity" portion would be and which fiscal year would be affected if this proposed constitutional amendment is approved.

REPRESENTATIVE SAMUELS offered his understanding that production tax revenue for this year would amount to roughly \$1 billion, and the change to the Alaska State Constitution would be retroactive to June 30, 2007. He posited that none of this year's production tax revenue would be needed for this year's budget.

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CHERYL NIENHUIS, Petroleum Economist I, Economic Research Group, Tax Division, Department of Revenue (DOR), concurred that the amount the division forecast for fiscal year 2008 (FY 08) is about \$950 million, and pointed out that the division's fiscal note illustrates that it would be about \$350-\$400 million per year, at least until 2014.

JERRY BURNETT, Director, Administrative Services Division, Department of Revenue (DOR), in response to a question, pointed out that the department has submitted two fiscal notes, one from the Tax Division and one from the Treasury Division. The Tax Division's fiscal note pertains to the progressivity surcharge, and shows as a zero-revenue effect with a change from GF to a constitutional dedicated revenue source, and the Treasury Division's fiscal note shows the estimated investment cost of managing the money. This estimate is based on those deposits to the fund, from the Tax Division's fiscal note, at an approximate management cost of 10 basis points - approximately half the cost of managing the permanent fund; the assumption is that the proposed fund could be managed at a lower cost because there wouldn't be costs associated with having a board of directors, for example. Looking at the balance going forward, based on some estimates that include a lot of assumptions, by 2014 the proposed fund would have approximately a \$3.1 billion balance and, at 4.5 percent, would "spin off" about \$152 million that year. He mentioned that these assumptions are based on earnings at the same rate as the Public Employees' Retirement System (PERS) for the last 10 years - 9.51 percent annual earnings.

CHAIR RAMRAS noted that 100 basis points equal 1 percent and 10 basis points equal .1 percent, and that even .1 percent of \$4 billion is a significant sum of money. He questioned whether it would be fair to equate the aforementioned management costs with

fees a bank might charge for maintaining a client's savings account.

MR. BURNETT pointed out, though, that a bank wouldn't indicate to its client in its monthly statements what it is charging to maintain the client's savings account. The administration, on the other hand, would have to show costs for managing the proposed production tax revenue fund.

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REPRESENTATIVE SAMUELS asked whether the costs would come out of the fund.

MR. BURNETT explained that the Treasury Division would ask for an appropriation from those funds each year to pay the management costs; this would be similar to how other funds are now dealt with.

REPRESENTATIVE SAMUELS surmised, then, that the proposed fund's rate of return would merely be .1 percent less.

MR. BURNETT concurred, and noted that it would show in the budget as a budgeted amount each year.

REPRESENTATIVE HOLMES asked whether the language in HJR 28 will allow for the appropriation of the management costs, particularly given that proposed subsection (c) currently says in part that no appropriations other than 4.5 percent of the fund's market value may be made from the fund.

MR. BURNETT said he assumes that the department could "manage it internally" and have the management costs "netted out" of the earnings. He acknowledged that in that case, the management costs might not show up in the budget - it might just be an unbudgeted amount. In any event, the department would still be showing the costs in the fiscal notes.

CHAIR RAMRAS surmised that if production tax revenue were simply put into the GF, there wouldn't be any management costs, and the legislature could access all of it.

MR. BURNETT clarified that if that money were placed into the GF, it would not be invested in the same manner; instead, it would be invested in short term instruments or cash equivalents so that it would be available for appropriation and spending at all times. The GF and "other non-segregated investments" are

probably earning 3-4 percent per year, whereas long-term accounts such as the subaccount for the CBRF earn higher rates.

CHAIR RAMRAS said, "So if we accept the premise that it will enjoy the same returns as the permanent fund, then arguably these funds would enjoy 500 basis points to the good less whatever the management fee is."

MR. BURNETT said that is essentially correct unless the money were segregated in the GF and invested long term, though the department probably would not be making that choice knowing that the money could be spent at any time and be necessary to use for cash flow.

CHAIR RAMRAS asked whether the legislature has ever segregated a portion of the GF into a higher earning asset class.

MR. BURNETT said he is not aware of any such instance - nothing beyond a one-year investment. With regard to the CBRF, however, the legislature did segregate a portion out for a longer term investment in 1999.

CHAIR RAMRAS offered his understanding that short term treasury notes are currently earning 2-2.5 percent, and surmised that that is what the production tax revenue would be earning if it were placed in the GF.

MR. BURNETT concurred.

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REPRESENTATIVE DAHLSTROM offered her understanding that there was a commitment made that the money that was borrowed from the CBRF would be paid back, though without a specific timeframe. She surmised that if it weren't for the fact that the state is both the lender and the borrower in this instance, "we would already be dinged pretty heavily for not having started making some movement towards paying some of this money back."

REPRESENTATIVE SAMUELS acknowledged that he, too, understood that such a commitment was made. However, he added, "If you talk about the philosophy of it, I'm proposing that we put, over the next five years, ... \$4 billion into a savings account," regardless of whether that account ends up being the CBRF. He again offered his belief that the people of Alaska just want the money saved.

REPRESENTATIVE DAHLSTROM said she can see the need for having both accounts: the CBRF and the proposed production tax revenue fund. However, she relayed, she is not sure that she can walk away from what she feels was a very strong commitment to pay the CBRF back before establishing another fund. "I don't see why we can't do both . . .," she added.

REPRESENTATIVE SAMUELS indicated that his fear is that if they first pay the CBRF back, as production continues to decline, the CBRF will still be needed to pay current bills and they will just run out of that money sooner. Instead there should be both a short-term cash flow account and a long-term cash flow account. He then offered his understanding that under the proposed change, the "cash flow spinout" for the first year would be roughly \$50 million and that if that money isn't needed the first year, it could either be put into the CBRF or reinvested in the proposed fund where it could accrue more interest.

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MR. BURNETT added that if in fact the 4.5 percent payout is reinvested, that would increase the available payout every year.

REPRESENTATIVE SAMUELS proffered that every year the legislature could then choose to reinvest that payout in the proposed fund, or choose to put it into the CBRF. Furthermore, the legislature could choose to pay back the CBRF via other mechanisms at its disposal. He estimated that 20 years from now, even with a decline in production, the proposed fund will be "spinning out" \$300 million per year without there having been any reinvestment and at a price of \$70-\$72 per barrel.

MS. NIENHUIS acknowledged that the division is estimating the price to be at \$72 per barrel.

REPRESENTATIVE DAHLSTROM asked Representative Samuels whether he intends that the money in the proposed fund be invested only in Alaska or instead invested wherever it will earn the greatest return.

REPRESENTATIVE SAMUELS said his thought is that the money would be invested in the same manner that the department invests its other funds.

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REPRESENTATIVE COGHILL noted that whatever the amount owed to the CBRF, it is expected that that amount will be paid back; "that's why we have the 'sweep' every year that we have to deal with" when considering appropriations and "that's how we install it by law." If the legislature simply uses one fund to pay the other fund back, he surmised, Alaskans will see the legislature moving large sums of money around without there being any benefit. He said he kind of likes the idea of combining the CBRF with "the program we have" because the more money being invested, the greater the potential return, but it's not a point he would be willing to argue about. On a different point, he said he is not too sure he likes the idea of inserting a statutory reference into the Alaska State Constitution, and asked Representative Samuels whether that issue came up during drafting.

REPRESENTATIVE SAMUELS said that that was one of his concerns as well since the referenced statute could get changed in the future, but his bigger concern centered on having to watch the decline in production, and so he would prefer that the legislature be mandated by the Alaska State Constitution to put that money in a savings account, adding that he is assuming that the progressive nature of the existing tax law won't change over the next few years. Having a constitutional deadline on when the money should be placed in the account is a good idea, he remarked.

REPRESENTATIVE COGHILL offered his understanding that should the proposed constitutional amendment be approved by the voters as it's currently written, it will be the first time a statute is referenced in the Alaska State Constitution; even the constitutional provision pertaining to the CBRF doesn't reference a specific statute. Statutes should be driven by the constitution, rather than the constitution being driven by statutes, he opined.

REPRESENTATIVE SAMUELS said he'd had the bill drafted without first speaking with either the DOR or the Alaska Permanent Fund Corporation (APFC), and doesn't know whether there would be a way to reference the production tax revenue without referring to a specific statute.

CHAIR RAMRAS acknowledged that that is an important point to consider.

REPRESENTATIVE HOLMES said she concurs with Representative Coghill. She then referred to proposed subsection (b),

characterized it as somewhat of a sunset clause, and questioned whether it would go into effect even if an amendment made to the referenced statute only effected a minor grammatical change, for example. She also asked which fund any monies received from litigation regarding the progressivity tax would go into - the proposed fund or the CBRF.

REPRESENTATIVE SAMUELS indicated that perhaps someone else could better address those questions.

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REPRESENTATIVE HOLMES then said she is not sure whether they would be able, constitutionally, to move CBRF funds into the proposed fund.

REPRESENTATIVE SAMUELS acknowledged that another constitutional amendment would be necessary in order to do that. He also acknowledged that if production tax revenue is placed into the CBRF and then appropriated out via a three-quarter vote, there will simply be more money owed to the CBRF. Referring to a chart illustrating estimated earnings payouts, he offered his understanding that it indicates that when the proposed fund is at \$4 billion - the amount in the CBRF - a 4.5 percent payout would put \$200 million into the GF. If that payout wasn't needed at that time, he reiterated, the money could be reinvested. He indicated that he'd been reluctant to begin discussions about combining the proposed fund and the CBRF; even though doing something along those lines would simply be a restructuring of the savings account, people might view it as destroying the existing savings account.

CHAIR RAMRAS asked how the word "savings" is defined.

REPRESENTATIVE SAMUELS offered that "savings" means "something you're going to earn today that you'll be able to live off into perpetuity."

CHAIR RAMRAS asked whether HJR 28 is in essence a five-year savings plan.

REPRESENTATIVE SAMUELS said that is a good characterization, adding that the legislature would always be able to "spinoff" cash without there being a political argument over accessing it. He predicted that future legislatures will be happy that the present legislature created the proposed fund.

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CHAIR RAMRAS questioned whether HJR 28 is taking the approach that it is better to start saving a small amount earlier than to start saving a larger amount later.

REPRESENTATIVE SAMUELS indicated that it is.

REPRESENTATIVE HOLMES, referring to subsection (c), asked whether they would be better off looking at perhaps a four- or five-year average.

MR. BURNETT said that it is typical in endowment funds to "look at some kind of back-looking average." This protects the funds against years in which the stock market fluctuates wildly. For example, the PFD payout is based on five years' worth of earnings. What an entity is trying to achieve with a particular payout percentage, he offered, is an inflation-adjusted rate of return over time. This way, the real value of a fund is maintained even if no more deposits are made.

REPRESENTATIVE SAMUELS said he is amenable to "whatever the best mechanism is to work the way that an endowment works."

REPRESENTATIVE COGHILL noted that the legislature has discussed percent of market value regarding the permanent fund, which isn't endowed, and that they would have to think of how they could institute HJR 28 with its current reference to statute. He said he likes the idea of endowing the CBRF, but noted that the earnings would then become a "majority vote" issue. And although the three-quarter vote requirement has engendered debate, it hasn't saved any money, he opined.

REPRESENTATIVE COGHILL surmised that if the change proposed by HJR 28 is incorporated into the Alaska State Constitution and the legislature then later tries to combine [the CBRF and the propose fund], people will view such a proposal with distrust. He added: "If there's a way that we can describe the revenue stream from the revenue stream that you've proposed here, that becomes a steady revenue stream into [an] ... endowment fund that would swallow up the [CBRF]; I think people would be disposed to that as long they could see it clearly."

REPRESENTATIVE SAMUELS said he'd tried to keep [the CBRF and the proposed fund] separate because he is not sure that the legislature could "swallow it all at one time," though "having both" would have advantages.

REPRESENTATIVE COGHILL surmised that people know that under the Alaska State Constitution, the legislature has several funds and a spending limit. The CBRF is not being paid back and the spending limit is ineffectual, he remarked, and people deserve having integrity in the Alaska State Constitution and being able to "see it as simply as they can."

REPRESENTATIVE SAMUELS opined that it is not a bad thing to have different mechanisms for different purposes; HJR 28 is simply a "cash flow mechanism." He acknowledged that the legislation could be altered to specify that for the first five years the amount paid out from the proposed fund be put into the CBRF, but warned that that could result in a future legislature wishing that wasn't the case. He surmised that doing away with the CBRF altogether would cause the public discomfort.

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REPRESENTATIVE COGHILL said he is merely thinking in terms of what the payout would be based on a larger principal amount.

REPRESENTATIVE SAMUELS offered his belief that for the next two years, the legislature won't need either funds from the CBRF or the payout from the proposed fund, but acknowledged that problems could arise should that money be invested differently.

MR. BURNETT explained that the CBRF is separated into two accounts: the subaccount - which is invested long term - and the main account. Managing the CBRF as two separate accounts ensures cash flow and maximum return.

REPRESENTATIVE COGHILL again indicated that he has a problem with HJR 28's proposal to include a statutory reference in the Alaska State Constitution.

REPRESENTATIVE SAMUELS acknowledged that it could be somewhat problematic, and thus he would like to find a way to do the same thing without including the statutory reference.

CHAIR RAMRAS characterized HJR 28 as a desperate attempt at forcing the legislature to save money, and remarked on the growth of government. Because the legislature won't know what problems it will face in the future, it might be better to save money for the next five years and then create an annuity that pays out for the following ten years. In this way, the money that doesn't get spent on infrastructure or social service

projects could provide a second revenue stream fifteen years down the road. The difficulty with HJR 28, he acknowledged, is that it treats the State of Alaska as a trust fund recipient that can never be trusted with the principal, and this is somewhat cynical in its construction. Some people estimate that the CBRF will be exhausted over the next several years, and so the committee ought to approach the issue as way of solving a particular problem rather than just the state's inability to save money.

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REPRESENTATIVE SAMUELS said his fear is that in a few years, if the money is available to be spent, it will be, even if it is not needed. Adopting the approach proposed by HJR 28 could make financial issues a bit tougher for a few years, but not adopting this approach could result in all of the production tax revenue being spent in a few years. The proposal embodied in HJR 28 is just good financial planning.

CHAIR RAMRAS clarified that the aforementioned chart is non-sophisticated and only reflects the production tax revenue going into the proposed fund for the first five years, and no attempt was made to "match cash flows exactly" - it's a very simplistic model.

REPRESENTATIVE HOLMES, referring to the retroactive aspect of the bill, noted that the production tax revenue might already be spent by the time the proposed constitutional amendment is approved by the voters.

REPRESENTATIVE SAMUELS offered his belief that the DOR will simply set the production tax revenue aside until it is known whether the proposed constitutional amendment gets approved by the voters.

CHAIR RAMRAS relayed that he is a supporter of HJR 28, and characterized it as indicative of the legislature's inability to be good stewards of "the immediate resource."

REPRESENTATIVE COGHILL said he wouldn't characterize it as such, and opined that it is still worth considering.

REPRESENTATIVE SAMUELS relayed that he would research whether the current statutory reference could be phrased in a different fashion. He then asked what the range of payouts is for other types of funds.

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LAURA ACHEE, Research and Communications Liaison, Alaska Permanent Fund Corporation (APFC), Department of Revenue (DOR), relayed that every foundation in the U.S. is required by the Internal Revenue Service (IRS) to pay out 5 percent each year; that collages have a range of payouts; and that the APFC at one point had looked at information regarding the long-term effects of different spending rates. It's a balance between how much money is being sought early on as opposed to how much will be sought long term. "If you start out at 4 percent, you get much more out of the fund over its life than you do if you start off at 6 percent even though you don't get as much on the front end," so it's simply a policy question for the legislature to determine, she remarked, as are questions regarding how conservative the payouts should be and whether they should be averaged.

CHAIR RAMRAS relayed that HJR 28 will be held over with public testimony remaining open, and indicated that a committee substitute (CS) would be brought forth that addresses some of the issues raised thus far.

ADJOURNMENT

There being no further business before the committee, the House Judiciary Standing Committee meeting was adjourned at 2:26 p.m.