

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 19, 2007

9:05 a.m.

MEMBERS PRESENT

Senator Lesil McGuire, Chair
Senator Gary Stevens, Vice Chair
Senator Hollis French
Senator Lyda Green
Senator Con Bunde

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 171(STA) am

"An Act relating to the date and time for convening regular legislative sessions, certain procedures of the legislature, the date for organizing the Legislative Budget and Audit Committee, and deadlines for certain matters or reports to be filed or delivered to the legislature or a legislative committee; prohibiting bonuses for legislative employees; and providing for an effective date."

MOVED SCS CSHB 171(STA) OUT OF COMMITTEE

SENATE BILL NO. 134

"An Act relating to the policy of the state regarding the state budget and the source of funding used to cover a shortfall in general fund revenue."

HEARD AND HELD

HOUSE BILL NO. 8

"An Act naming the law enforcement training facility in Fairbanks the J. Kevin Lamm Law Enforcement Training Facility."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 171

SHORT TITLE: ACCOMMODATE 90-DAY SESSION

SPONSOR(S): RULES

03/01/07 (H) READ THE FIRST TIME - REFERRALS

03/01/07	(H)	STA
03/06/07	(H)	STA AT 8:00 AM CAPITOL 106
03/06/07	(H)	Scheduled But Not Heard
03/15/07	(H)	STA AT 8:00 AM CAPITOL 106
03/15/07	(H)	Heard & Held
03/15/07	(H)	MINUTE(STA)
03/22/07	(H)	STA AT 8:00 AM CAPITOL 106
03/22/07	(H)	Heard & Held
03/22/07	(H)	MINUTE(STA)
03/24/07	(H)	STA AT 10:00 AM CAPITOL 106
03/24/07	(H)	Heard & Held
03/24/07	(H)	MINUTE(STA)
03/29/07	(H)	STA AT 8:00 AM CAPITOL 106
03/29/07	(H)	Moved CSHB 171(STA) Out of Committee
03/29/07	(H)	MINUTE(STA)
03/30/07	(H)	STA RPT CS(STA) NT 1DP 3NR 2AM
03/30/07	(H)	DP: COGHILL
03/30/07	(H)	NR: JOHNSON, ROSES, LYNN
03/30/07	(H)	AM: GRUENBERG, DOLL
04/03/07	(H)	BEFORE THE HOUSE
04/03/07	(H)	TRANSMITTED TO (S)
04/03/07	(H)	VERSION: CSHB 171(STA) AM
04/04/07	(S)	READ THE FIRST TIME - REFERRALS
04/04/07	(S)	STA
04/12/07	(S)	STA AT 9:00 AM BELTZ 211
04/12/07	(S)	Heard & Held
04/12/07	(S)	MINUTE(STA)
04/17/07	(S)	STA AT 9:00 AM BELTZ 211
04/17/07	(S)	Heard & Held
04/17/07	(S)	MINUTE(STA)

BILL: SB 134

SHORT TITLE: FUNDING SHORTFALL POLICY

SPONSOR(S): SENATOR(S) WILKEN

03/21/07	(S)	READ THE FIRST TIME - REFERRALS
03/21/07	(S)	STA, FIN
04/19/07	(S)	STA AT 9:00 AM BELTZ 211

BILL: HB 8

SHORT TITLE: J. KEVIN LAMM TRAINING FACILITY

SPONSOR(S): REPRESENTATIVE(S) RAMRAS

01/16/07	(H)	PREFILE RELEASED 1/5/07
01/16/07	(H)	READ THE FIRST TIME - REFERRALS
01/16/07	(H)	TRA
02/15/07	(H)	TRA AT 1:30 PM CAPITOL 17

02/15/07	(H)	Heard & Held
02/15/07	(H)	MINUTE(TRA)
03/06/07	(H)	TRA AT 1:30 PM CAPITOL 17
03/06/07	(H)	Moved Out of Committee
03/06/07	(H)	MINUTE(TRA)
03/07/07	(H)	TRA RPT 1DP 3NR
03/07/07	(H)	DP: FAIRCLOUGH
03/07/07	(H)	NR: DOOGAN, JOHNSON, JOHANSEN
03/21/07	(H)	TRANSMITTED TO (S)
03/21/07	(H)	VERSION: HB 8
03/23/07	(S)	READ THE FIRST TIME - REFERRALS
03/23/07	(S)	TRA, STA
04/10/07	(S)	TRA RPT 2DP 1NR
04/10/07	(S)	DP: KOOKESH, OLSON
04/10/07	(S)	NR: WIELECHOWSKI
04/10/07	(S)	TRA AT 1:30 PM BUTROVICH 205
04/10/07	(S)	Moved HB 8 Out of Committee
04/10/07	(S)	MINUTE(TRA)
04/19/07	(S)	STA AT 9:00 AM BELTZ 211

WITNESS REGISTER

RYNNIEVA MOSS, Staff
to Representative Jack Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding HB 171.

TAMARA COOK, Director
Legislative Legal and Research Services Division
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding HB 171.

PAM VARNI, Executive Director
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Explained an amendment to HB 171.

SENATOR GARY WILKEN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 134 as sponsor.

ACTION NARRATIVE

CHAIR LESIL MCGUIRE called the Senate State Affairs Standing Committee meeting to order at [9:05:47 AM](#). Senators McGuire, Stevens, Bunde, Green, and French were present at the call to order.

HB 171-ACCOMMODATE 90-DAY SESSION

CHAIR MCGUIRE announced the consideration of HB 171. [Before the committee was CSHB 171(STA) am.] An amendment labeled KA.1 has the legislative session start in February, and Senator French had suggested a January start date.

The committee took an at-ease at [9:07:27 AM](#).

[9:07:34 AM](#)

CHAIR MCGUIRE offered Amendment 1, labeled 25-LS0653\KA.1.

SENATOR STEVENS suggested that that wasn't the amendment.

The committee took an at-ease from [9:08:40 AM](#) to [9:10:24 AM](#).

CHAIR MCGUIRE withdrew Amendment 1 and offered Amendment 2, labeled 25-LS0653\KA.4, as follows:

Page 2, line 17, through page 3, line 1:

Delete all material and insert:

"**Sec. 24.05.090. Duration of legislature;**
[REGULAR] sessions. The legislature shall convene at the capital each year on the second Monday in **February** [JANUARY] at **1:00 p.m. Each** [10:00 a.m.; HOWEVER, FOLLOWING A GUBERNATORIAL ELECTION YEAR, THE LEGISLATURE SHALL CONVENE ON THE THIRD TUESDAY IN JANUARY AT 10:00 a.m. EXCEPT AS PROVIDED IN THIS SECTION, EACH] legislature **has** [SHALL HAVE] a duration of two years and **consists** [SHALL CONSIST] of a "First Regular Session [,]" **that meets** [WHICH SHALL MEET] in the odd-numbered years, and a "Second Regular Session [,]" **that meets** [WHICH SHALL MEET] in the even-numbered years, and any special session [OR SESSIONS] that the governor or legislature **calls** [MAY FIND NECESSARY TO CALL]."

Page 3, lines 24 - 25:

Delete all material.

Insert "Legislative Affairs Agency at any time before **February** [JANUARY] 1."

SENATOR FRENCH objected, and he noted the nice weather and said if the session starts in January, "we would be done today."

SENATOR BUNDE said Senator French makes a good argument; however, consistency is important for voters. It is hard for them to keep track of when the legislature is in Juneau. He is tempted by the sunshine, but a consistent date is better.

SENATOR FRENCH withdrew his objection. Hearing no further objections, Amendment 2 was adopted.

9:12:30 AM

CHAIR MCGUIRE said she would like to make two conforming amendments with respect to the budget. She offered Amendment 3 to change, on Page 6, line 18, the word "thirtieth" to "fifth" and add a period after day and strike "in odd numbered years and through the fifth day in even numbered years." Hearing no objections, Amendment 3 was adopted.

CHAIR MCGUIRE offered Amendment 4. On page 6, line 22, after "only through the", add "fifteenth legislative day." Also strike: thirtieth legislative day in odd-numbered years and through the fifteenth legislative day in even-numbered years. She said Amendment 4 conforms to the removal of the staggered start dates. Hearing no objections, Amendment 4 was adopted.

CHAIR MCGUIRE then offered Amendment 5. On Page 7, lines 22-23, after the word "sessions", strike: or following a gubernatorial election year within the first 30 days after the legislature convenes in regular session. "What we're doing is taking out that reference to the staggering that the other body had." The House version had January and February start dates, she noted, with conforming budget language.

SENATOR STEVENS said it is not budget, but the names of persons.

CHAIR MCGUIRE agreed, and the other was for the budget. She said she is just trying to clean up the references to a staggered start date. The language is no longer necessary unless the legislature wants staggered start dates.

SENATOR GREEN said, "This puts it at nearly what the procedure is now because it's at February fifteenth every year."

9:16:54 AM

RYNNIEVA MOSS, Staff to Representative Jack Coghill, Alaska State Legislature, said Section 5 needs to be amended.

CHAIR MCGUIRE heard no objection, so Amendment 5 was adopted.

MS. MOSS said she assumes that if the legislature is convening the second Monday of February it would want a February 1 deadline for prefiled bills.

CHAIR MCGUIRE said Amendment 2 has done that.

[9:18:57 AM](#)

SENATOR BUNDE offered Amendment 6, labeled 25LS0653\KA.5, as follows:

Page 3, following line 30:

Insert new bill sections to read:

"* **Sec. 6.** AS 24.10.130(b) is amended to read:

(b) Legislators and officers and employees of the legislative branch of government are entitled to a per diem allowance while the legislature is in regular or special session if authorized by the policy adopted under (c) of this section, except that a legislator who resides in the state capital may not receive a per diem allowance. A legislator may receive a stipend while the legislature is not in session if authorized by the policy adopted under (c) of this section.

* **Sec. 7.** AS 24.10.130(c) is amended to read:

(c) The Alaska Legislative Council shall adopt a policy regarding reimbursement for moving expenses applicable to all legislators and an applicable per diem allowance and stipend policy. The policy must set conditions for the reimbursement for moving expenses, [AND] payment of per diem during legislative sessions, and payment of stipends during the interim between sessions. The policy must also prescribe the amounts of reimbursement, per diem, and the stipend adapted to the special needs of the legislative branch as determined by the council."

Renumber the following bill sections accordingly.

SENATOR BUNDE said the legislature is divided on the 90-day session, but the people have spoken. He said the people also spoke during the Jan Faiks era expressing concern about legislative pay. Changes were made in response to public outcry, and those should be cleaned up, he said. Amendment 6 addresses "mislabeling." Members get a salary and per diem while in session. During the interim the legislators can qualify for

money labeled as per diem, but it is not per diem; it is more of a stipend. A cynic would say the salary is disguised by calling it per diem instead of a stipend. If it is a stipend, the Juneau legislators are paid more than others because they receive a per diem during session even though they live in their own homes. It more accurately portrays the legislators' salary during the interim as a stipend and "when we live in our own homes we shouldn't qualify for per diem."

[9:21:53 AM](#)

SENATOR STEVENS objected.

SENATOR BUNDE said it is wise to make sure that amendments fit under the title of the bill, and Amendment 6 was deemed appropriate for HB 171.

CHAIR MCGUIRE referred to Webster's Dictionary and said stipend is a regular fixed payment as a salary or allowance.

SENATOR STEVENS withdrew his objection.

SENATOR GREEN asked if stipend is used anywhere else in statute.

[9:23:15 AM](#)

CHAIR MCGUIRE asked about a policy change with legislative council that allowed lawmakers who worked more than four hours per day to receive a per diem of maybe \$100 per day, and how the amendment might impact that.

TAMARA COOK, Director, Legislative Legal and Research Services Division, said the amendment would have to fall within the portion of the title that speaks to procedures of the legislature, but she doesn't know how narrowly the court would define legislative procedures. Compensation of legislators may be an administrative procedure. But the title is not specific, so it would probably survive. The legislative council policy would need to be changed to conform to the amendment because it provides for per diem for legislators who reside in Juneau during session. The way it is written, the council would still be free to allow a stipend for some number of hours that a legislator works in the interim, but how that will work will be subject to legislative council policy. Right now it has a four-hour work test in order to get the per diem during the interim.

[9:26:20 AM](#)

CHAIR MCGUIRE read the description of per diem: For or by the day; A daily fee or allowance.

SENATOR STEVENS said per diem should not apply to someone living in their own home.

SENATOR BUNDE said the accepted notion of per diem is for expenses for being out of one's domicile. Session per diem is not taxed, but salaries, stipends, and interim "per diem" are. The "per diem" that is paid to Juneau residents is taxed, and that is an important test.

MS. COOK said the state compensation statutes for the executive branch allows per diem for traveling employees.

[9:28:50 AM](#)

SENATOR GREEN said parts of the state have large districts. A legislator may not be spending the night out of the home, but it is not a cheap adventure. Travel merits something, she said.

SENATOR FRENCH asked the difference in the per diem of legislators who live in Juneau.

MS. MOSS said people in Juneau get 75 percent of the standard per diem. For federal tax codes, a person has to travel 50 miles in order to get per diem.

CHAIR MCGUIRE said the Anchorage lawmakers who collect it are taxed on it. But for Senator Olson who might be traveling a great distance, the per diem is not taxed.

[9:31:12 AM](#)

MS. MOSS said in order to claim a per diem deduction for taxes, a person has to travel more than 50 miles.

SENATOR BUNDE said all legislators are taxed on it. He said Senator Kookesh has a district larger than the state of Texas, and he should be able to claim travel expenses, but that's different from the taxable interim per diem. He said Representative Salmon eats up the per diem in one hour of flight within his district. The amendment is simply focusing on calling salary a salary.

CHAIR MCGUIRE said she is concerned about doing more interim work, and there was a very heated debate about if that amount is something that people could live on. "The concern that I have is if we adopt the amendment today ... the policy for leg council will not follow, so we'll be back to the days we were before. Second of all, I'm concerned about ... I don't think the semantics

are as different as you think they are, but I don't disagree that we call it per diem." She views herself as still at home, going back to her district almost every weekend. There is no question that most lawmakers work more than full time but are paid a set salary. The per diem helps supplement that. She doesn't think she is trying to hide anything, "but I think the reality of it is that some people don't collect retirements to help live, and so it's a question."

[9:34:12 AM](#)

SENATOR FRENCH objected to the amendment. This is a new level of complexity without enough discussion. "I don't see that it's necessary at all." It is not fair to keep people who live in the Capital to not get per diem. The legislative salary doesn't require anyone to show up to work. "If you show up for work everyday, you have to drive to work, dry clean your clothes, you have to have meal expenses, you have living expenses that are incurred because of the fact that you come to the capital everyday, and that's partly what the per diem compensates you for is that you're here operating in the world. You and I pay rent in the town." Maybe people who live in Juneau should get paid less. The amendment says they get none whatsoever, and it is aimed at three people who are not here to speak to the amendment. It's worth a discussion, but the committee is trying to move a 90-day bill.

SENATOR STEVENS asked if this issue could be addressed by the legislative council or if it needs to be in statute.

[9:36:08 AM](#)

SENATOR BUNDE said the interim per diem has existed for over 15 years. Perhaps if the members ask them politely they might. Juneau legislators could get a stipend during the interim, "as we all should." He said it is a bad precedent to tax the per diem for Juneau legislators but not others. It should not be left under the rug like it has for 15 to 16 years.

MS. MOSS said the reason Juneau members' per diem is taxable is because they don't travel 50 miles.

SENATOR STEVENS said if the amendment fails he would like it addressed by the legislative council. It is important, but it is happening too fast.

[9:39:09 AM](#)

CHAIR MCGUIRE said she will do so. There have been many discussions about lawmaker salaries and the link to employment.

She noted that she has a juris doctorate degree and she can't get a job. It is a very good point and should be discussed, but not on the fly. Other state have commissioned a group to look at the issue as a whole, including what type of outside work should be allowed, per diem, and the 90-session. Her vote against it is not a vote against the concept, but it needs to be more thoroughly vetted.

A roll call was taken. Senator Bunde voted in favor of Amendment 6, and Senators French, Green, Stevens, and McGuire voted against it. Therefore, Amendment 6 failed on a vote of 1 to 4.

[9:41:27 AM](#)

CHAIR MCGUIRE moved Amendment 7, labeled 25-LS0653\K.A, as follows:

Page 8, lines 1-9:
Delete all material.

The committee took an at-ease from [9:41:51 AM](#) to [9:42:51 AM](#).

CHAIR MCGUIRE said Amendment 7 refers to the report on the 90-day regular session, and it was requested by Senator Cowdery.

SENATOR GREEN objected to get an explanation.

CHAIR MCGUIRE said Senator Cowdery felt that a report on the 90-day session was unnecessary.

SENATOR GREEN said Section 24 said any assignments to be given to the council shall be by resolution.

[9:43:55 AM](#)

SENATOR FRENCH asked if the committee wants to have a report.

SENATOR GREEN said, "We have to do it by resolution; I don't plan to do the resolution."

SENATOR FRENCH asked why it is in the bill.

MS. MOSS said the original bill had a sunset clause to force the legislature to go back and revisit the 90-day session. This language replaces that idea.

CHAIR MCGUIRE said it was probably without awareness of the site that Senator Green just gave. She added that she would entertain a resolution should any committee member request a report but

the thought was that the effects will be what they are. A report from the legislature won't mean a whole lot, she opined.

9:45:30 AM

SENATOR GREEN removed her objection. Hearing no further objections, Amendment 7 was adopted.

CHAIR MCGUIRE moved Amendment 8, labeled 25-LS0653\KA.2, as follows:

Page 4, following line 9:

Insert a new bill section to read:

*** Sec. 7.** AS 24.20.140 is amended by adding a new subsection to read:

(b) In addition to transfers under (a) of this section, the council may direct the executive director to transfer amounts from any appropriation to an office, agency, or committee in the legislative branch to an appropriation for another office, agency, or committee in the legislative branch. A transfer under this subsection may only be made with the written approval of the head of the legislative office or agency or the chair of the committee to which the appropriation was originally made, and the amount transferred from that appropriation may not exceed the amount indicated in the written approval."

Renumber the following bill sections accordingly.

Page 8, line 10:

Delete all material and insert:

*** Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Section 7 of this Act is retroactive to January 1, 2007.

*** Sec. 20.** Sections 7 and 19 of this Act take effect immediately under AS 01.10.070(c).

*** Sec. 21.** Sections 1 - 6 and 8 - 18 of this Act take effect January 1, 2008."

9:46:09 AM

PAM VARNI, Executive Director, Legislative Affairs, said Amendment 8 will help the legislature in the future. Since 1960 there has been a statute to allow the legislative council to direct the executive director to transfer amounts from one appropriation to another if the transfer is considered necessary to accomplish the work of the council. That has been done at

least 30 times since 1960 to accomplish projects or for special sessions. This year the council is in a "minus situation" because the previous legislature had four special sessions. The amendment gives the council the authority to transfer amounts from any appropriation in the legislative branch and also protects people. Whenever transferring amounts from one component to another, someone would always check with people in charge of those funds to make sure that there is no problem with using their funds. The recent legislative council action had permission from the Legislative Audit and Budget chair to transfer two session expenses. "So this just really clearly puts out and gives the authority to transfer within the legislative branch so that there will not be any question in the future whether it's next year or ten years from now, and let's say budget and audit is in a minus situation, legislative council, who really does a lot of the administrative work and sets policy for the legislature, will have the ability to do that."

[9:50:14 AM](#)

SENATOR BUNDE asked if Amendment 8 limits where money can be transferred from. A rogue council might take money from the school budget.

MS. VARNI said money has never been transferred from outside the legislative branch; this only concerns money within the legislative branch and between the three appropriations. She said her understanding has been that the council had the ability to transfer between them. Recently that was questioned, and Amendment 8 says that the council can transfer between the three, but it requires written permission from those who are in charge of the funds being taken. It is just housekeeping for the legislative branch, she said.

SENATOR FRENCH asked if line 4 implies a vote of the council.

[9:53:12 AM](#)

MS. COOK said it requires action by the council, and the chair couldn't do it alone.

SENATOR GREEN asked if this was brought about by the money that was just put in the supplemental.

MS. VARNI said yes.

SENATOR GREEN said it caused quite a stir, because there had been approval for money to be transferred within the agency and then it was shown it wasn't a proper transfer, "so we had to

include that language in the supplemental budget to authorize that transfer." It just allows action during those times.

SENATOR GREEN withdrew her objection. Amendment 8 was adopted.

MS. MOSS said someone from the Alaska Public Office Commission said its final report is due on February 15, which is close to the start of session, but it might not pose a problem.

SENATOR GREEN moved HB 171, as amended, from committee with individual recommendations and accompanying fiscal notes.

SENATOR BUNDE said he sees a serious absence of people to pick up the apples that they dropped out of the applectart.

CHAIR MCGUIRE announced that without objection SCS CSHB 171(STA) has moved from the Senate State Affairs Committee.

The committee took an at-ease from [9:56:59 AM](#) to [9:57:39 AM](#).

SB 134-FUNDING SHORTFALL POLICY

[9:57:39 AM](#)

CHAIR MCGUIRE announced the consideration of SB 134.

SENATOR GARY WILKEN, Alaska State Legislature, presented SB 134 as sponsor. He said the last Alaska Oil and Gas Report announced that anxiety mounts as production declines. The oil producers told the legislature that production was declining by six percent, and the Department of Revenue (DOR) said it was declining by 0.9 percent. Either way, there needs to be a fiscal bridge to the gasline, he said. The desire for a long-range fiscal plan is a common refrain. He suggested thinking beyond one year. Senator Dyson has a bill asking the governor to forecast ahead 15 years.

[10:00:25 AM](#)

SENATOR WILKEN said his bill starts the discussion. SB 134 is policy, not law. The legislature could put it in and take it out later. He said, "We would put in the Executive Budget Act two statements: It's the policy of the state to formulate a responsible, sustainable budget. It is the policy that amounts necessary to cover projected shortfalls during a fiscal year be appropriated equally from the Constitutional Budget Reserve (CBR) and the Earnings Reserve Account of the permanent fund. It would be used only when needed, he added. He pointed to a graph of expenditures and revenue. He assumes an increase in spending

of three percent, and he showed the fall revenue forecast. He thanked staff from the permanent fund division, legislative finance, and the Office of Management and Budget for helping with the data and graphs.

[10:04:10 AM](#)

CHAIR MCGUIRE noted a 2006 and 2007 spike in revenues and asked how they figure into the "little pots of money that we have set aside for savings."

SENATOR WILKEN said, "That would be what's coming into our checkbook." He said, "We write checks out of our check book, which is filled up by the general fund." He said checks written for permanent fund dividends are an expense. The legislature saved \$650 million last year and "people on the campaign were talking about how we spent everything...we wrote a check and put it in a saving account."

CHAIR MCGUIRE asked if that \$650 million savings is absorbed into the red input line.

[10:05:35 AM](#)

SENATOR WILKEN said yes, "we spend our savings." Alaska is not going to be saving next year. Last year there was a \$10.2 billion budget. Three components are 88 percent of the budget. In 2004, the two numbers were essentially the same. Federal funds are falling away, and 85 percent of what the state spends is from oil and gas. Things can change quickly. The next graph is titled Fy07 General Fund Budget. The budget of the governor is balanced at \$52 per barrel. Today it is \$62.64. He noted that three or four years the state was "rolling in clover" when oil hit \$30 per barrel. If the price were \$30 today, [the state would have a deficit of] \$1.8 billion.

[10:08:47 AM](#)

SENATOR WILKEN showed the effect of the escalator in the PPT [profit-based petroleum production tax of 2006].

SENATOR BUNDE said next year the chart will be out of date because production will be down. The opportunity for change will magnify as production declines.

SENATOR WILKEN said there are three big variables: expenses, oil production, and oil price. "We start to fall away next year or the year after." He said to expect gas revenue in 2016, and Alaska needs a bridge until then.

[10:11:51 AM](#)

SENATOR WILKEN said the state has used the cushion. He showed the CBR balance and the draws for FY94 to FY07. The CBR has been used four times. He said he forgot that Alaska drew \$884 million out of the CBR in 2002, almost \$500 million the next year, and then about \$46 million for the last four years. The average draw has been \$275 million for the 14 years. He said the CBR peters out in 2013 or 2014, so there will be no more cushion. Cutting government sounded easy before he arrived at the capitol. If the state cut out public radio and television, as discussed by Senator Bunde, and it cut out state parks, libraries, museums and the one percent for arts, the total savings would be \$17 million. It is not worth the emails that he would get. The state needs to save up to hundreds of millions, so if it got rid of road maintenance, the troopers, the marine highway, and the universities, it would save \$430 million, "but we wouldn't have any troopers but we wouldn't need them because we don't have any roads to drive on and we're not educating people so..."

[10:15:14 AM](#)

SENATOR WILKEN said his intent is to show that the state is not going to cut its way out of the deficits. He spoke of other options, like income tax, alcohol tax, corporate income tax and sales tax. "Or we can start to talk about the earnings of the permanent fund, which in January 31, 2007 had \$4.7 billion sitting in it." He suggests filling the gap with contributions from the CBR and the earnings reserve account. Given a three per cent growth, the bridge is built from equal draws. The earnings reserve of the permanent fund is available, always has been, by a vote of 21 in the House and 11 in the Senate.

[10:17:43 AM](#)

SENATOR BUNDE said the state already spends the earnings, including \$1.7 billion for the dividend, the hold harmless provisions, and several other things. The precedent is set. The pie chart had \$1.7 billion revenue from the permanent fund.

SENATOR WILKEN said hold harmless costs about \$34 million and it costs money to make money, so "we do spend the earnings." He warned that everyone will say that the legislature can't be trusted and it will steal the fund. So he asked: "How much of the corpus has the legislature been responsible for?" The legislature should be proud that it has put in 65 percent of it. It also inflation proofed it with \$10 billion. The legislature has certainly been a good steward. "We can manage getting at the permanent fund," he said. He warned that opponents will accuse them of robbing the fund, "and the bumper stickers roll out."

[10:20:50 AM](#)

SENATOR WILKEN said the principle is protected by the constitution, and it will be generations before Alaskans go to the ballot box and vote to spend the permanent fund; it's just not going to happen. The earnings brought to the earnings reserve account was \$4.7 billion by the end of January. This year, \$878 million will be used for dividends, \$860 million for inflation proofing, and \$2.9 billion will be left and available. The crown jewels of a fiscal plan are the CBR and the earnings reserve account; "I just can't say enough about that sentence." It is the only legislature in America deciding how to manage \$40 billion for 665,000 residents. He said some people won't support the idea because there is no income tax and 43 states have one. "But no other state has \$40 billion." Every minute of every hour of every day there are millions of decisions made on Wall Street about people investing money, and each one is to create wealth. Alaska is part of that game. People invest in corporate America, real estate, bonds, and the last six months of 2006, Alaska's investments were earning \$734,000 per hour, and "we didn't lift a finger ... we're putting it in faster than we can take it out." That's the plan. It is a whole other industry that creates wealth for the people of Alaska. It is all about taking a one-time resource to create wealth for the future. But the next question will be: "What about my check?"

[10:25:04 AM](#)

SENATOR WILKEN showed ten years ahead. "Let's just say we filled every fiscal gap...let's call it \$250 million." The effect on each PFD check would be nothing the first year, \$2.00 the next year, \$20.00 in five years, and \$89.00 in 10 years. "You make a good investment; the money just keeps showing up."

SENATOR STEVENS asked if the check decrease is cumulative.

SENATOR WILKEN said that is the effect of the draw of \$250 million every year for 10 years. In 10 years, each PFD check will be \$2,250 instead of \$2,339. With the draw, the accumulated ten checks would be \$19,073 instead of \$19,409—a difference of \$336 over the ten years. He showed a graph with the draw and without the draw. The permanent fund stays awfully healthy, and after 10 years it will be \$4.5 billion less than \$60 billion. What does the decline in the PFD check mean to a family? The third year the loss will be worth two cups of coffee, year-five it will cost a hair cut, and year-ten it will cost one car tire.

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SENATOR WILKEN compared alternative revenue sources. Using an income tax to fill the fiscal gap would cost \$1,000 to a family of four, and using a sales tax would cost \$950. "I like everybody paying a little rather than a few paying a lot." This is our bridge to the future gas line. He summarized by saying that the bill bridges Alaska revenue needs until the gas line is completed and it establishes accountability by forming a spending partnership with all Alaskans.

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SENATOR WILKEN said SB 134 provides benefits when needed--it only happens when there is a deficit. It minimizes the financial impact on families, doubles the life of the CBR, answers the call from D.C. for Alaskans to help themselves, and provides Alaska with a stable and dependable long-term fiscal plan.

SENATOR BUNDE asked about the notion of putting new money into the economy.

SENATOR WILKEN said an income tax just moves money around. This is new money coming from Wall Street and it is powerful. It gets the full multiplier effect.

SB 134 was held over.

CHAIR MCGUIRE adjourned the Senate State Affairs Committee meeting at [10:35:34 AM](#).