

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

February 9, 2010

9:01 a.m.

**MEMBERS PRESENT**

Senator Linda Menard, Chair  
Senator Kevin Meyer, Vice Chair  
Senator Hollis French  
Senator Albert Kookesh  
Senator Joe Paskvan

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 43

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

MOVED SB 43 OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 24

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund, establishing the earnings reserve account, and relating to the permanent fund dividend.

MOVED SJR 24 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 43

SHORT TITLE: SECOND VERSE OF ALASKA'S STATE SONG

SPONSOR(s): SENATOR(s) MENARD

01/21/09	(S)	PREFILE RELEASED 1/9/09
01/21/09	(S)	READ THE FIRST TIME - REFERRALS
01/21/09	(S)	CRA, STA
01/28/10	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
01/28/10	(S)	Moved SB 43 Out of Committee
01/28/10	(S)	MINUTE(CRA)
01/29/10	(S)	CRA RPT 4DP
01/29/10	(S)	DP: OLSON, KOOKESH, MENARD, THOMAS
02/04/10	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)
02/04/10	(S)	<Bill Hearing Canceled>
02/09/10	(S)	STA AT 9:00 AM BELTZ 105 (TSBldg)

BILL: SJR 24

SHORT TITLE: CONST AM: GUARANTEE PERM FUND DIVIDEND

SPONSOR(S): SENATOR(S) FRENCH

01/19/10 (S) PREFILE RELEASED 1/15/10  
01/19/10 (S) READ THE FIRST TIME - REFERRALS  
01/19/10 (S) STA, FIN  
02/09/10 (S) STA AT 9:00 AM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

CONSTANCE DAVIS

Representing herself  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Supported SB 43.

CONSTANCE MONRO

Alaska Sisterhood Camp Two and  
Juneau Unitarian Universalists Fellowship  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Supported SB 43.

LORRAINE HAUSMAN

Representing herself  
Kodiak, AK

**POSITION STATEMENT:** Opposed SB 43.

MICHAEL BURNS, Executive Director

Alaska Permanent Fund Corporation (APFC)  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Provided information for SJR 24

LAURA ACHEE, Director of Communications

Alaska Permanent Fund Corporation (APFC)  
Alaska State Capitol  
Juneau, AK

**POSITION STATEMENT:** Provided information for SJR 24

**ACTION NARRATIVE**

9:01:59 AM

**CHAIR LINDA MENARD** called the Senate State Affairs Standing Committee meeting to order at 9:01 a.m. Present at the call to order were Senators Paskvan, Kookesh, Meyer, French and Menard.

**SB 43-SECOND VERSE OF ALASKA'S STATE SONG**

9:02:41 AM

The first order of business to come before the committee was SB 43. Chair Menard passed the gavel over to Vice-Chair Meyer.

SENATOR MERNARD said SB 43 adds an official second verse to the Alaska Flag song. SB 43 has a zero fiscal note and will implement something music lovers and Alaska history buffs have wanted for years, as well as paying homage to the woman who wrote the second verse out of love for Alaska and its Native population. The flag song was adopted by the territorial legislature in 1955. The song was written by Juneau resident Marie Drake, who worked for the Department of Education. Carol Beery Davis wrote the second verse, the subject of SB 43, in 1987. The recent 50th anniversary of statehood makes this the appropriate time to add the second verse. Passing SB 43 would be a long overdue honor to Carol Beery Davis and pay homage to Benny Benson, who designed the Alaska Flag and is mentioned in the second verse. Senator Menard pointed out that both houses of the Legislature heard the second verse when the Alaska Youth Choir sang just before the opening of the 2010 session.

9:05:36 AM

CONSTANCE DAVIS, 3rd daughter of Trevor Davis and Carol Beery Davis, gave a short history of the relationship between the song, the flag and her family. Her mother [Carol Beery Davis] played the organ for the silent movie theatre and was good friends with Elinor Dusenbury and Marie Drake, who worked for the Commissioner of Education.

9:06:49 AM

MS. CONSTANCE DAVIS said that Governor Parks, after seeing the Rotunda of Flags in Washington DC, worked with the American Legion to start a contest [to design an Alaska flag]. She said her father was on the committee that chose the flag. The Commissioner of Education thought it would be a good idea for the school children to have a little flag and a copy of the Flag Act. Marie Drake thought the children should have a jingle instead; she wrote it and travelled to schools all over Alaska to introduce [the jingle]. Elinor Dusenbury had to leave Alaska and go to Omaha with her husband; she was very homesick for

Alaska. She saw a picture of the flag and the jingle and she wrote the music to go along with it.

[9:09:10 AM](#)

SENATOR KOOKESH asked for clarification as to who wrote the music for the verse.

MS. CONSTANCE DAVIS replied that Elinor Dusenbury wrote the music.

SENATOR KOOKESH said they then turned it into the official song.

MS. CONSTANCE DAVIS replied yes.

SENATOR KOOKESH said he is amazed no one has written this history down; he never saw it in history books during his schooling and would love to see it in the history books.

MS. CONSTANCE DAVIS said her mother [Carol Beery Davis] wrote the first little booklet on it and the City Museum has put out a booklet about it too. She said her mother originally came to Alaska for a temporary job but stayed 70 years; when she wrote the second verse she was 95 years old.

[9:11:44 AM](#)

CONSTANCE MONRO commended the Senate for taking leadership on this and stated that she has received joyful emails from around the state. She mentioned that the late Senator Ferguson and the late Representatives Alfred Widmark and Alvin Osterback worked diligently to try to get someone to donate this second verse.

MS. MONRO said she is representing Alaska Sisterhood Camp 2 and Dorothy Wallace who was the first person from the camp to come and speak to the Legislature in support of the second verse right after Carol Beery Davis wrote it. Ms. Monro said she is the chairperson for the Juneau Unitarian Universalists Fellowship which endorses SB 43 and would not be here without the help of the Native Alaskan population. She explained that they helped her get her first job, got her into the University and took care of her family when she lost a son. She thanked the Native community for sharing their lives' treasures.

[9:14:22 AM](#)

CHAIR MENARD asked Ms. Munro to share how Native people wanted a white person to write the second verse.

MS. MONRO said the Native Coalition had discussed having a contest for the second first. Alvin Osterback and others were concerned that a contest would cause stress, cost money and would not be appropriate. Frank Ferguson said it would be nice if the second verse was a gift. They waited. In 1987 when Ms. Monro lost her job and was going to move to Boston, she talked to Carol Beery Davis about how a second verse had never been gifted. She received a phone call the next day from Ms. Davis who had stayed up and wrote the second verse in one night.

CHAIR MENARD asked how old Carol Beery Davis was when she wrote it.

MS. MONRO answered that Carol Beery Davis was 95 years old. She explained that they gave the second verse to interested legislators right away and Fairbanks accepted the verse into their archives.

SENATOR KOOKESH asked how many years Ms. Monro has worked on making the second verse official.

MS. MONRO replied since 1987. She explained that the House sponsored a similar bill three times but it never got out of committee in the Senate. She spoke to the Pioneers of Alaska at their state convention and they did not want to add anything to a piece of history. She could not convince them that Carol Beery Davis was a part of that history; she wrote the Alaska Flag book and was a pioneer of Alaska.

[9:17:53 AM](#)

MS. MONRO explained that support from the Pioneers of Alaska was needed for a bill to make it through the Senate at that time.

SENATOR KOOKESH said he has known Ms. Monro for many years and always thought she was an Alaska Native.

MS. MONRO said she is adopted and a life member of Alaska Native Sisterhood Camp 2.

LORRAINE HAUSMAN, Kodiak, said she came to Alaska in 1952 and Benny Benson was a great friend of her parents. Mr. Benson's family took her family in when they first arrived until they built permanent housing. She said it hurt her heart when she heard people wanted to add a verse to the Alaska Flag song. The second verse is beautiful but the song itself is a work or art that was created at a certain time and accepted by the people of Alaska.

[9:20:30 AM](#)

MS. HAUSMAN said that everything Benny Benson said about his flag design is already in the song. She felt it should stay a simple jingle about a simple flag. She felt it is disrespectful to add something to a work of art; changing a simple, beautiful part of Alaska history would hurt many people. She said she remembers singing the song with Benny Benson and a big smile on his face. She explained that the song means a lot to her personally and she would like to see it stay the way it is. She hoped the song did not gain an addition; another song would be good, but she would hate to see this one changed.

[9:23:17 AM](#)

SENATOR KOOKESH commented that over the years he has seen people look at the Alaska Native differently than when he first started in politics. He said an Alaska Native designed the flag and Alaska Natives need to be recognized for their contribution to the state and its people. If the second verse is not included the non-Native people won't be hurt, it is the Alaska Natives [that will be hurt.] He explained that the state seal depicts stacks of wheat, a sailboat, a powerboat, sunshine and trees but not one depiction of the Alaska Native community. He said he did not think anything was wrong with adding a second verse with one statement about the Alaska Native community. As an Alaska Native, he felt he could say that Benny Benson would agree that the Alaska Native community needs to be recognized for its contributions to the state and people. The Alaska Native Brotherhood has records of Benny Benson participating in an Alaska Native community. Senator Kookesh said it would be a dishonor for him not to stand up and say he wants some recognition for Benny Benson and other Alaska Natives.

SENATOR KOOKESH pointed out that singing the second verse would not be required. He said people use the second verse already and will continue to. The legislature would just be recognizing the use of the second verse and making it official.

[9:26:17 AM](#)

SENATOR MEYER closed public testimony.

SENATOR PASKVAN moved to report SB 43 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

[9:27:29 AM](#)

At Ease from 9:27 a.m. to 9:30 a.m.

**SJR 24-CONST AM: GUARANTEE PERM FUND DIVIDEND**

[9:30:19 AM](#)

CHAIR MENARD said the next item to come before the committee is SJR 24.

SENATOR FRENCH, sponsor of SJR 24, read the following statement:

The Permanent Fund Dividend [(PFD)] should be permanent. The dividend represents the people's direct share of our commonly owned natural resource wealth. Protecting the dividend from encroachment fulfills the constitution's mandate that our natural resources be managed for the maximum benefit of all Alaskans. SJR 24 is intended to keep that constitutional promise.

Looking back at the debate that took place as our constitution was written helps place the policy goals of SJR 24 in a historical context. E.L. "Bob" Bartlett, Alaska's delegate to Congress at the time of the constitutional convention, believed that our mineral wealth, which he called "the people's wealth", should be used for two distinct purposes: "the support of Alaska governmental services" and "the use of all the people in Alaska." His vision, which predated the Prudhoe Bay oil discovery by thirteen years, and the creation of the Permanent Fund by twenty-one years, captures the current usage of our state's oil wealth to support state government and to pay an individual dividend to each Alaskan. Protecting the dividend preserves the fundamental idea that some portion of our natural resource wealth should be spread equally across the state to each citizen.

Every year in Juneau, the budget consumes the vast majority of our oil wealth. Since 1977, the state has taken in approximately \$102 billion in oil revenue. Since 1982, when the first dividends were issued, the state has paid out approximately \$17 billion in dividends. Therefore, less than 17% of our commonly owned wealth is distributed equally. The political system directs the vast majority of the state's oil wealth to the various needs of state government as fairly as it can, but inevitably the budget tug-of-war produces winners and losers. Budget battles can be fierce, and there are almost always regional and

departmental imbalances in how the state budget is allocated. The dividend stands in stark contrast to this political process. The dividend goes equally to all, regardless of which political party is in power. What could be more fair?

Protecting the dividend in the Constitution is not a new idea. Over the years a variety of public figures have advocated for this idea. In 2004, the delegates to the Conference of Alaskans, called by then-Governor Murkowski to develop a consensus on the role of the Permanent Fund in the state's future, adopted this idea as one of their four policy initiatives to put the state on firmer financial footing.

[9:33:32 AM](#)

SJR 24 is intended to make certain that the dividend, a unique feature of a unique state, continues into the future. Please join me in supporting SJR 24.

SENATOR FRENCH pointed out a unique feature of the Alaskan constitution - the state taking title of the mineral wealth from the federal government. He explained that members of Congress were concerned about the state's ability to support itself when considering Alaskan statehood. At statehood, the state got 100 million acres of land in a unique grant. He read from a book prepared by the Institute of Social and Economic Research on Alaska's constitutional convention and explained that Alaska owns the mineral rights to all the minerals underneath state land; they cannot be sold or given away and are property of the state as a whole.

SENATOR FRENCH said SJR 24 is meant to provoke a discussion of the question, "What is the state of Alaska?" He spoke about Bob Bartlett's speech to the constitutional convention, famous for bringing passion to the idea that the state could be exploited if it was not careful about resource development. Bob Bartlett repeatedly referred to use of the mineral wealth, which he called "the people's wealth," to support not only the government but the people of the state.

[9:36:17 AM](#)

SENATOR FRENCH said he knows that some are concerned the PFD is a give-away or a form of welfare. He quoted from Byron Mallot's Compass piece [in the Anchorage Daily News]:

The Alaska Permanent Fund Dividend not a government giveaway, it is not a form of welfare. Indeed it is among the most conservative of public policy notions - that of a contract between Alaska's government and its citizens to share a portion of resource revenues belonging to all, directly with each.

SENATOR FRENCH asked whether a person's dividend from stock in Exxon, BP or Conoco is a giveaway or rather something that belongs to the person as an owner. He said SJR 24 is meant to provoke the question, "Are we really an owner state, or something else?"

SENATOR MEYER said if a person had stock in a company, the company would pay out a lot in good years and retain earnings for ongoing operations in bad years. He said that is how he sees the PFD; when oil prices are high and the state has a lot of money, more should be paid to the public. But in lean times the state may need flexibility to use some of that money for state services. He said that is the intent of the PFD, to help maintain state services. With SJR 24, the PFD would not be an option for the state and during lean times and income or sales tax would have to be considered.

[9:39:19 AM](#)

SENATOR FRENCH said that is exactly the kind of discussion SJR 24 is supposed to provoke. The resource wealth, not the PFD, is supposed to support government and the people. He said some people think the PFD is a rainy day fund and that would not last long in Juneau. He said the PFD was not called a rainy day fund but a permanent fund. SJR 24 does not guarantee a dividend; it takes the current calculation method of the five year average of our stock market investments, and puts that in the Constitution. So if the stock market is good to us, we pay a dividend and if it is bad we don't pay a dividend. He explained that it is exactly the same statutory calculation in place now, just put in a place where it cannot be tampered with. If there are some lean years, the state would be prohibited from grabbing some of those earnings. He felt it is legitimate to ask if the PFD should be off limits even if an income tax or sales tax should be needed. His view was that the PFD should be the last thing that is grabbed to balance state government after other measures have been taken.

SENATOR MEYER said the Legislature cannot touch the PFD; the PFD can only be touched by a vote of the people. He said the fund probably contains \$35 billion. The earnings off of that

principle are the issue. If the earnings are not needed, dividends are paid out and some is filed back in for inflation proofing. He said we all anticipate the day when Prudhoe Bay and Kuparek will decline so that royalty production tax will not be enough to fund state services and part of the PFD earnings would be needed. The program founders wanted the Legislature to have that flexibility. He said he thinks Alaska is getting close to that point; [oil] production is decreasing by 5 to 6 percent every year and nothing is offsetting that.

[9:42:18 AM](#)

SENATOR MEYER said his concern is that blocking [the flexibility to use the PFD earnings] might be shortsighted.

SENATOR PASKVAN said it might be useful to the listening audience to describe "earnings reserve account."

SENATOR FRENCH explained that the Permanent Fund has a corpus, or the main account, where royalties go. The state of Alaska gets a 12.5 percent royalty from the value of the oil that flows out of the ground; it is the owner's share. Of that royalty, one quarter, or sometimes one half, is dedicated to go straight into the Permanent Fund which has made up one third of the corpus of the Permanent Fund. One third of the Permanent Fund has come from those deposits. Another third has come from legislative leaders putting a large amount of money into the Permanent Fund through special appropriations during big budget years. Investment gains make up the last third of the Permanent Fund. He explained that fund managers buy and sell stocks and the earnings, or capital gains, go into an earnings reserve account. At the end of the year, typically half of that money goes to inflation proofing and half goes to dividends.

SENATOR PASKVAN said some could say we are allocating this for future Alaskans, permanently restricting PFD access. He said he is relating it to what is happening in the private market with long term investment and restrictions.

[9:45:43 AM](#)

SENATOR FRENCH said SJR 24 will provoke a lot of discussion about the original intent of the Permanent Fund. He felt it was fair to say the original intent was to use the money to sustain government services but he was not sure that is the perfect vision of the Permanent Fund going forward.

SENATOR KOOKESH asked why SJR 24 is needed if the Legislature can't do anything with the Permanent Fund without a vote of the people.

SENATOR FRENCH replied that the Permanent Fund bank account itself is locked away behind a Constitutional prohibition against the Legislature spending it without permission from the people through a vote. The earnings reserve account is separate and is available every year for appropriation. Every year the Legislature votes to spend money for a dividend and to put money back into the Permanent Fund for inflation proofing; that does not require a vote of the people. That legislative appropriation could be voted down and no dividend would be paid.

SENATOR FRENCH said people think of [the dividend] as happening automatically, but it is a legislative act every year and depends on who is in the Legislature.

[9:47:48 AM](#)

SENATOR PASKVAN said if a \$1000 dividend, for example, is distributed to a citizen, perhaps 25 percent or \$250 immediately has to go to the IRS. If the earnings themselves are used for a public purpose, then the entire \$1000 [per person] can be used. He said that is part of the larger policy debate.

SENATOR FRENCH said that view presupposes that every person benefits equally from the state budget. He said it is interesting to weight how each person benefits from the state budget versus from having their own little share of oil wealth delivered to their PO Box to use as they see fit.

SENATOR MEYER said the 12 percent royalty that the state gets is supposed to be used for Alaska's citizens. That money comes into the general fund and helps Alaskans through better schools, roads, etc. However, whether or not that is the best use of resources can be debated. He pointed out that the corpus of the Permanent Fund is 'hands-off' and \$35 billion is sitting there. However the earnings reserve always has been left to the Legislature's discretion. It shows up as part of the budget and half has always been put to inflation proofing and half to dividends.

[9:50:42 AM](#)

SENATOR MEYER said former Governor Murkowski was pushing the Percentage of Market Value (POMV) concept which took a little bit of the half that goes to dividends to be used in state services. It was a popular concept for a while.

[9:51:31 AM](#)

SENATOR FRENCH said the Conference of Alaskans was former Governor Murkowski's response to a budget crisis when it looked like oil revenues were going to be down and the state was in need of resources. Former Governor Murkowski convened an array of 55 Alaskans to debate the issue over three days. They adopted the POMV idea, meaning 5 percent is paid out per year. If it assumed that 8 percent will be made over time, then 3 percent is accumulated every year as inflation proofing. The Conference of Alaskans understood that for the people of Alaska to embrace the POMV idea they would need a promise that the money made available to the Legislature for spending every year, close to \$2 billion, would not be wasted. The Conference of Alaskans said the promise would be putting the dividend in the Constitution.

SENATOR KOOKESH suggested that Senator French explain the difference between a bill and resolution because people might not understand that this has to go through a vote of the people.

SENATOR FRENCH verified that SJR 24 would have to go through the Senate and the House by a two-thirds majority in both bodies and then go to the people of Alaska for a vote. Nothing the legislature does or says changes anything until that entire process happens.

[9:54:19 AM](#)

CHAIR MENARD suggested a correction to Senator French's sponsor statement: the second paragraph says "each citizen" and should include the eligibility criteria for the PFD such as being at least one year old and a resident for a full year. She recalled her late husband's involvement with the Permanent Fund 20 years ago and he said the dividend payment to an individual multiplies through spending and is an economic engine.

[9:55:24 AM](#)

CHAIR MENARD began public testimony.

SENATOR PASKVAN asked for Michael Burn's thoughts on the impact of designating the earnings reserve account as a permanent contribution.

MICHAEL BURNS, Executive Director, Alaska Permanent Fund Corporation (APFC), said the Board has never taken a position on use of earnings which is completely up to the Legislature and is a public policy issue. Mechanically, management would not change much with SJR 24.

9:58:02 AM

SENATOR PASKVAN asked if there is systemic risk to the fund if monies have to be dealt with in a different way.

MR. BURNS did not see a risk. The investment philosophy, procedures and policy would remain the same.

LAURA ACHEE, Director of Communications, Alaska Permanent Fund Corporation (APFC) explained that a pension fund, as opposed to the permanent fund, has a set liability. The liability in the Permanent Fund is driven by what the fund spins off in statutory net income. She said SJR 24 would not enshrine a set liability for the Permanent Fund in the Constitution anymore than the statutory language does.

9:59:05 AM

CHAIR MENARD closed public testimony.

SENATOR PASKVAN asked Senator French where he would prefer a greater debate around SJR 24 take place.

SENATOR FRENCH said he would love for the debate to happen in the finance committee. He said as it moves through that committee and onto the floor, a wide-spread discussion will take place.

10:00:29 AM

SENATOR PASKVAN moved to report SJR 24 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

10:01:08 AM

With no further business before the committee, Chair Menard adjourned the meeting at 10:01 a.m.