

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

July 13, 2016

5:33 p.m.

MEMBERS PRESENT

Senator Bill Stoltze, Chair
Senator John Coghill, Vice Chair
Senator Charlie Huggins
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Lesil McGuire

OTHER LEGISLATORS PRESENT

Representative Cathy Tilton (on line)
Representative Lynn Gattis (on line)

COMMITTEE CALENDAR

SENATE BILL NO. 5001

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to management of the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) by the Alaska Permanent Fund Corporation; relating to procurement by the Alaska Permanent Fund Corporation; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation of permanent fund dividends; relating to unrestricted state revenue available for appropriation; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 5001

SHORT TITLE: PERM. FUND: DEPOSITS; DIVIDEND; EARNINGS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

07/11/16 (S) READ THE FIRST TIME - REFERRALS
07/11/16 (S) STA, FIN

07/13/16 (S) STA AT 1:00 PM WASILLA LIO
07/13/16 (S) STA AT 5:30 PM WASILLA LIO

WITNESS REGISTER

STEPHEN ST. CLAIR, representing himself
Mat-Su Valley, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

LARRY DEVILBISS, representing himself
Palmer, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

MIKE ALEXANDER, representing himself
Big Lake, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

MIKE COONS, representing himself
Palmer, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

GARVAN BUCARIA, representing himself
Wasilla, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

K.D. SINCLAIR, representing herself
Wasilla, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

DON HOPKINS, representing himself
Soldotna, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

LEE COLLINS, representing herself
Kenai, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

DANIEL LYNCH, representing himself
Soldotna, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

FRED STURMAN, representing himself
Soldotna, Alaska
POSITION STATEMENT: Testified in opposition to SB 5001.

LARRY SMITH, Director
Kachemak Resource Institute

Homer, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

WALT MONEGAN, Commissioner
Department of Public Safety
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 5001.

CHAD SAMSKAR, representing himself
Nikiski, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

KAREN PERRY, representing herself
Chugiak, Alaska,

POSITION STATEMENT: Testified in opposition to SB 5001.

MARNIE HARTILL, representing herself
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 5001.

BETH FREAD, representing herself
Palmer, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

BRUCE GERAGHTY, representing himself
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

STEPHEN WRIGHT, representing himself
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

TIM WALTERS, President
Mat-Su Ed Association
Wasilla, Alaska

POSITION STATEMENT: Testified in support of SB 5001.

DONALD WESTLUND, representing himself
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of SB 5001.

ROBERT STEINKE, representing himself
Juneau, Alaska

POSITION STATEMENT: Testified on SB 5001.

GEORGE PIERCE, representing himself
Kasilof, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

LARRY MCMAHILL, representing himself
Houston, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

ED MARTIN, representing himself
Cooper Landing, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

ANDREW WRIGHT, representing himself
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

DAVID EASTMAN, representing himself
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

PAUL KENDALL, representing himself
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

EDWARD WITBECK, representing himself
Kenai, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

BILL SPENCER, representing himself
Big Lake, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

MARGARET E. PICKARD, representing herself
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to SB 5001.

ACTION NARRATIVE

[5:33:28 PM](#)

CHAIR BILL STOLTZE called the Senate State Affairs Standing Committee meeting to order at 5:33 p.m. Present at the call to order were Senators Huggins, Wielechowski, Coghill (via teleconference), and Chair Stoltze.

SB5001-PERM. FUND: DEPOSITS; DIVIDEND; EARNINGS

[5:34:10 PM](#)

CHAIR STOLTZE announced the consideration of SB 5001 and opened public testimony.

[5:34:35 PM](#)

STEPHEN ST. CLAIR, representing himself, Mat-Su Valley, Alaska, testified in opposition to SB 5001. He cited a statement by ISER [Institute of Social and Economic Research] that said "Any alterations or changes to the permanent fund is the most regressive tax that could possibly occur, worse than a sales tax or an income tax."

[5:38:10 PM](#)

LARRY DEVILBISS, representing himself, Palmer, Alaska, testified in opposition to SB 5001. He opined that a sustainable level of government has not been found and that must happen first.

[5:41:46 PM](#)

MIKE ALEXANDER, representing himself, Big Lake, Alaska, testified in opposition to SB 5001. He said the Legislature has done a good job of cutting government so far but nothing happened in 2016.

[5:42:56 PM](#)

MIKE COONS, representing himself, Palmer, Alaska, testified in opposition to SB 5001. He stated that he opposed Governor Walker "raiding the permanent fund" and doing such would set a precedent.

[5:44:16 PM](#)

GARVAN BUCARIA, representing himself, Wasilla, Alaska, testified in opposition to SB 5001, stating that nothing will affect the state's economy more than passing the bill. He emphasized that it is important to change the size of government before reducing the permanent fund dividend. He asked that a transition be done gradually. He advocated cutting large capital expenditures for roads and the AKLNG pipeline.

[5:47:30 PM](#)

K.D. SINCLAIR, representing herself, Wasilla, Alaska, testified in opposition to SB 5001. She agreed with the previous testimony and opined that cutting the dividend in half would not save money because it is used to buy food and heat homes in the winter.

[5:51:00 PM](#)

DON HOPKINS, representing himself, Soldotna, Alaska, echoed the previous testimony opposing SB 5001. He pointed out that the

budget problem did not happen overnight and noted that ten years ago the state budget was roughly \$2.5 billion and has since grown to an unsustainable level. He quoted former Governor Jay Hammond who said that the "Permanent fund provides about the only lens through which the public could and would view more realistically the true cost versus expense of development." He opined that people want an equal share which aligns with the state constitution that directs managing the resources for the maximum benefit of the people.

[5:54:19 PM](#)

LEE COLLINS, representing herself, Kenai, Alaska, testified in opposition to SB 5001. She revealed that she is a senior whose income is very limited. She questioned why people did not get to vote on the dividend reduction.

[5:55:33 PM](#)

DANIEL LYNCH, representing himself, Soldotna, Alaska, testified in opposition to SB 5001. He stated that he questioned paying \$660 million for TransCanada to leave the state. He noted that plans in the past have not been predictable. He added that he was concerned with repealing inflation-proofing and its reevaluation in three years.

[5:57:11 PM](#)

FRED STURMAN, representing himself, Soldotna, Alaska, testified in opposition to SB 5001. He said his biggest concern relates to not cutting the budget and opined that the budget is still bigger than it was and government employees are given raises.

[5:59:47 PM](#)

LARRY SMITH, Director, Kachemak Resource Institute (KRI), Homer, Alaska, testified in opposition to SB 5001. He said Governor Hammond would have said SB 5001 does the singularly bad thing of decoupling the dividends from the permanent fund, because it will lead to its death. He added that Governor Hammond would also have believed that twice as much of the earnings should be put in the fund. He said the only part of SB 5001 that appeals to him is doubling the contribution to the permanent fund.

[6:01:42 PM](#)

WALT MONEGAN, Commissioner, Department of Public Safety, Anchorage, Alaska, said he is speaking as the commissioner and an Alaskan in support of SB 5001. He set forth that having been part of law enforcement and public safety since 1971, he has long appreciated that a crisis averted is better than any possible response. He said Alaskans are staring at a crisis that

will only grow in scale if critical measures aren't taken to address it now.

[6:03:49 PM](#)

CHAD SAMSKAR, representing himself, Nikiski, Alaska, testified in opposition to SB 5001. He said does not see the benefit of allowing the already bloated government to continue to spend at the current level.

[6:05:54 PM](#)

KAREN PERRY, representing herself, Chugiak, Alaska, testified in opposition to SB 5001. She asserted that SB 5001 institutionalizes higher spending levels while disproportionately taking away from middle and lower income Alaskans.

[6:09:35 PM](#)

MARNIE HARTILL, representing herself, Anchorage, Alaska, testified in support of SB 5001. She thanked the governor for the hard work and research that has gone into the bill and added that she is not deterred by the people who are testifying about "taking," "theft," or other entitlement terms because the governor is trying to sustain the PFD.

[6:12:59 PM](#)

BETH FREAD, representing herself, Palmer, Alaska, testified in opposition to SB 5001. She asserted that the state is not ready for restructuring of the permanent fund dividend when the government continues to over spend.

[6:15:40 PM](#)

BRUCE GERAGHTY, representing himself, Wasilla, Alaska, testified in opposition to SB 5001. He remarked that the budget has gotten beyond what it ought to be.

[6:19:25 PM](#)

STEPHEN WRIGHT, representing himself, Wasilla, Alaska, testified in opposition to SB 5001. He said the bill is an overarching attempt to gain access to the permanent fund.

[6:22:01 PM](#)

TIM WALTERS, President, Mat-Su Education Association, Wasilla, Alaska, testified in support of SB 5001. He asserted that the bill is one part of a balanced plan to fix the crisis. He advocated new sources of revenue and question further cuts to public education.

[6:24:13 PM](#)

DONALD WESTLUND, representing himself, Ketchikan, Alaska, testified in support of SB 5001. He stated that he questioned capital projects. He added that he supported a sales tax that exempts food and fuel as well as an income tax with no exemptions.

[6:27:04 PM](#)

ROBERT STEINKE, representing himself, Juneau, Alaska, testified in opposition to SB 5001.

[6:28:45 PM](#)

GEORGE PIERCE, representing himself, Kasilof, Alaska, testified in opposition to SB 5001. He asked that legislators address spending prior to taking money from the PFD. He asserted that Alaskans own the resources and encouraged legislators to override the governor's veto.

[6:32:17 PM](#)

LARRY MCMAHILL, representing himself, Houston, Alaska, testified in opposition to SB 5001.

[6:33:16 PM](#)

ED MARTIN, representing himself, Cooper Landing, Alaska, testified in opposition to SB 5001. He stated that the government could not spend the PFD. He asserted that the governor has violated statute law. He said statute mandates that the dividend shall be paid.

[6:36:29 PM](#)

ANDREW WRIGHT, representing himself, Wasilla, Alaska, testified in opposition to SB 5001. He asserted that no other plans have been considered.

[6:38:57 PM](#)

DAVID EASTMAN, representing himself, Wasilla, Alaska, testified in opposition to SB 5001.

[6:41:43 PM](#)

PAUL KENDALL, representing himself, Anchorage, Alaska, testified in opposition to SB 5001. He suggested the first step is to stabilize the PFD and then require a 60 or 90-day notice before it can be engaged in any shape or form. He recommended that compensation for all public employees be reduced.

[6:46:46 PM](#)

EDWARD WITBECK, representing himself, Kenai, Alaska, testified in opposition to SB 5001. He said he questioned state spending and asserted that the Alaska Constitution states that the permanent fund was set up so the people would receive a small percentage of what the state makes and the formula would not be manipulated.

[6:51:22 PM](#)

BILL SPENCER, representing himself, Big Lake, Alaska, testified in opposition to SB 5001. He asserted that the state has a spending problem, not a revenue problem.

[6:54:58 PM](#)

MARGARET E. PICKARD, representing herself, Wasilla, Alaska, testified in opposition to SB 5001. She revealed that she is a senior who lives a very simple life and cutting the PFD will affect her ability to pay her heating bill and other utilities.

[7:00:45 PM](#)

At ease.

[7:08:20 PM](#)

CHAIR STOLTZE reconvened the meeting and noted that testimony was completed.

SENATOR WIELECHOWSKI reported that 30 people testified on SB 5001: 25 in opposition, 4 in support, and 1 was inconclusive.

CHAIR STOLTZE said the committee did its best to reach out across the state. He remarked that a lot of knowledgeable people testified on both sides of the issue. He set forth that the committee's intent was to work hand-in-hand, in partnership with the administration to try to have a meaningful discussion about the governor's bill.

[7:11:09 PM](#)

SENATOR WIELECHOWSKI concurred and expressed appreciation for the way the Chair Stoltze conducted the hearing today. He remarked that letting the people in the audience participate helped inform and shape the debate.

CHAIR STOLTZE said he wants to give the administration the opportunity to reconsider their participation.

[7:12:44 PM](#)

SENATOR HUGGINS seconded Senator Wielechowski's comments and cited comments by the governor that violate the law and the Legislature's word.

[7:15:14 PM](#)

SENATOR COGHILL thanked the Chair and all who testified. He agreed with several things that were said the Legislature was not done making cuts. He said he listened intently and will take instruction from the comments.

CHAIR STOLTZE thanked the public for their participation.

[SB 5001 was held in committee.]

[7:17:43 PM](#)

There being no further business to come before the committee, Chair Stoltze adjourned the Senate State Affairs Committee at 7:17 p.m.