

HOUSE FINANCE COMMITTEE  
March 15, 2017  
4:26 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 4:26 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Paul Seaton, Co-Chair  
Representative Les Gara, Vice-Chair  
Representative Jason Grenn  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Dan Ortiz  
Representative Lance Pruitt  
Representative Steve Thompson  
Representative Cathy Tilton  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Randall Hoffbeck, Commissioner, Department of Revenue; Rob Carpenter, Analyst, Legislative Finance Division; Alexei Painter, Analyst, Legislative Finance Division.

SUMMARY

HB 31 SEXUAL ASSAULT EXAMINATION KITS

HB 31 was SCHEDULED but not HEARD.

HB 115 INCOME TAX; PFD CREDIT; PERM FUND INCOME

HB 115 was HEARD and HELD in committee for further consideration.

Co-Chair Foster addressed the meeting agenda.

#hb115

HOUSE BILL NO. 115

"An Act relating to the permanent fund dividend; relating to the appropriation of certain amounts of the earnings reserve account; relating to the taxation of income of individuals; relating to a payment against the individual income tax from the permanent fund dividend disbursement; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

^AMENDMENTS

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Co-Chair Foster asked for verification that Representative Thompson wanted to move Amendment 12 to the bottom of the list.

Representative Thompson replied in the affirmative.

Representative Thompson MOVED to ADOPT Amendment 13, 30-LS0125\E.25 (Nauman, 3/10/17):

Page 2, line 9:  
Delete "a new subsection"  
Insert "new subsections"

Page 2, following line 18:  
Insert a new subsection to read:  
'(c) In accordance with AS 37.13.145(b)(1), and subject to appropriation, 33 percent of the amount available for distribution under (b) of this section shall be reserved for dividends. The remainder of the amount calculated to be available for distribution under (b) of this section shall be reduced by the difference between the amount calculated under (1) of this subsection and the amount under (2) of this subsection if the amount calculated under (1) of this subsection exceeds the amount under (2) of this subsection:  
(1) the total amount of oil and gas production taxes under AS 43.55.011 - 43.55.180, mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), and federal mineral

revenue sharing payments and bonuses received by the state from mineral leases that are deposited into the general fund in the current fiscal year; (2) the sum of \$1,200,000,000."

Co-Chair Seaton OBJECTED for discussion.

Representative Thompson explained the amendment. He indicated that the amendment set a draw limit in the amount of \$1.2 billion and once triggered the Point of Market Value (POMV) would be reduced by \$1 for every \$1 of oil production tax and royalties that exceeded \$1.2 billion. The limit reduced Permanent Fund (PF) expenditures during times of higher oil revenues. He continued that "without the provision there would be no guidance on how to spend money during times of flush oil revenues." The bill allowed the legislature to take the full POMV draw "even though oil revenues were sufficient to cover state spending." Leaving the excess PF revenues in the fund allowed the fund to yield higher earnings, "which translated into a larger PF, larger POMV, and larger Permanent Fund Dividends (PFD)." He emphasized the amendment directed the state to refrain from spending savings and protected the investment fund.

Representative Kawasaki referred to a graph provided by the Legislative Finance Division titled "LFD Fiscal Model" dated 3/15/17 (copy on file). He deduced that the amendment limited the payout limit until the price of oil reached \$105/bbl., at that point increased revenue was available for expenses. Representative Thompson discerned that the statement was correct. He supported capping the draw when not all of the funds were needed for government spending. He wanted to "slow down growing government more and more." Representative Kawasaki spoke to budget items tied to the increased price of oil; a volatile commodity. He remembered that the legislature established fuel triggers for the marine highway system, reduced the motor fuel tax to zero for a tax holiday, former Governor Sarah Palin increased the PFD by \$1 thousand, and funding increased for the Low Income Home Energy Assistance Program (LIHEAP) program. He felt that the policy calls were either "good or bad" depending on one's point of view but the decisions were made in support of the spending at the time. He believed that the policy calls on spending levels were up to legislatures of the future to decide.

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Representative Thompson deferred to the Department of Revenue for a comment.

RANDALL HOFFBECK, COMMISSIONER, DEPARTMENT OF REVENUE, answered that the provision to limit the draw as oil prices increase was "imbedded in the governor's plan from day one." He expounded that there were many demands on the use of the PF making it essential to reduce volatility in spending; as spending grew it was difficult to reduce w. He thought that the amendment created a shutoff valve on spending and as oil prices recovered the draw on the PF was when necessary. He added that the limit enabled the 5.25 percent POMV draw from the Earnings Reserve Account (ERA) to be sustainable overtime and allowed for larger draws during low revenue years.

Vice-Chair Gara requested to see a different chart than the one on the screen and in the member's packets. He requested a chart modeling POMV only data. [Legislative Finance Division Models were interactive] He asked whether the limit "kicked in" at \$80/bbl. Commissioner Hoffbeck replied that the limit was set at \$75/bbl. Vice-Chair Gara asked when the oil price was predicted to reach \$75 or \$80 per barrel. Commissioner Hoffbeck answered that it was between four and six years - he had to consult the forecast. Vice-Chair Gara thought that the forecasted time period was longer. He asked why the deficit lasted longer with the payout limit (until \$100/bbl.) than without it. Commissioner Hoffbeck answered that the Legislative Finance Division (LFD) model data showed that with the \$1.2 billion draw limit the budget was not fully balanced without some additional revenue sources. He indicated that DOR's modeling did not find as large a gap as LFD's model. He informed the committee that DOR's modeling was probabilistic and LFD's modeling was deterministic, which accounted for any discrepancies between the two models.

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Vice-Chair Gara remarked that the amendment was predicated on oil prices projected five to eight years out that extended the deficit. He discerned that the limit dictated to future legislatures that they had to restrict capital budget expenditures leaving insufficient funds for deferred maintenance. He understood that the University of Alaska's deferred maintenance alone was roughly \$500 million. He commented on differing views amongst legislators regarding

increasing budget cuts. He did not believe the legislature should constrict future legislatures from making their own decisions appropriate to their circumstances.

Co-Chair Seaton looked at a chart on the left that showed "UGF Revenue without Payout Limit." The model predicted that if the budget remained flat deficits were eliminated at oil prices between \$80/bbl. and \$85/bbl. assuming the same budget level eight years in the future or whenever oil prices reached \$85 per barrel. He referred to the chart on the right titled "UGF Revenue with Payout Limit" that maintained a deficit at \$100/bbl. He asked for clarity. Commissioner Hoffbeck answered that the model was a "snapshot in time" based on FY 18 production and not a "time series" on production or revenue. He clarified that the model showed a deficit at FY 2018 production at a certain oil price and at \$75/bbl. the payout limit offset the draw. The chart was a snapshot of a single point in time using the FY 18 budget. Co-Chair Seaton wanted more clarity regarding the deficit. He surmised that the state would still carry a deficit at \$100 per barrel with the \$1.2 billion limit. Commissioner Hoffbeck affirmed the statement.

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Representative Guttenberg remarked that the chart assumed numerous things were static; revenue, timeline, undesignated general funds (UGF), and the Percent of Market Value (POMV) payout. He asked if "intermediary" charts were included in the model that showed incremental changes based on the percent change of \$1. Commissioner Hoffbeck asked for clarification. Representative Guttenberg wondered if other variables affected the model or would predictable change result in predictable results. Commissioner Hoffbeck answered that the model "should simply adjust" any changes downward or upward. He reminded the committee the charts represented a snapshot in time. Representative Guttenberg surmised that the charts did not take inflation, population shifts, or other factors into effect. He spoke to concerns about the limit; specifically, the ability to increase capital budget expenditures. He wondered whether the limit would be constricting future legislatures. He remarked that the legislature did not always spend surplus revenues and he believed the premise that it did was the implied assumption of the amendment.

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Representative Pruitt commented that the committee was only looking at FY 18 predicated on the fall forecast. He voiced that production was also "a piece of the discussion." He declared that future production would impact the \$1.2 billion limit. In addition, if revenues triggered the limit in the near future, the result would impact the fund. He underscored that looking at a snapshot was difficult to determine the role the limit played with balances in the future. He believed that the amendment was "one of the most important things the legislature could do." He questioned what would happen when oil prices dropped again in future years and felt that embracing the limit was imperative for budgetary protection in future low revenue years. He declared that the state would increase spending if oil prices went up. He implored the legislature to implement the limit to effectively limit spending. He suggested expanding the model to include future years in addition to FY 18.

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Representative Kawasaki echoed some of the comments made by Representative Pruitt. He voiced that a snapshot in time made it difficult to determine what the budget would look like in future years. He also requested expanding the model.

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, acknowledged that the model was a snapshot in time. He explained that LFD had not been able to "figure out" how to model a time series given that there were so many unknown variables. He referred to the charts and clarified they were only for FY 18. The left chart reflected no payout limit and the right chart represented including a payout limit. The bottom portion of the graphs showed the nonvolatile UGF revenue stream that included corporate income tax and other revenue. Additionally, the bottom graphs represented the POMV payout that assumed it would be the same with the limit. He cited the blue bars on the top left chart that signified volatile revenue; production tax and royalty, which grew significantly with the price of oil. He reported that the model demonstrated that at the projected \$4.3 billion budget a fiscal deficit resulted at \$20/bbl. and began to close at \$75/bbl. with "extreme surpluses" as prices increased. He referred to "this side,"

which was the right chart and noted that with the revenue limit that was implemented at \$75/bbl. or \$80/bbl. the POMV payment began to drop dollar for dollar over the \$1.2 billion. He related that the limit amount was determined in SB 26 (Approp Limit & Per Fund: Dividend; Earnings). He furthered that as the dollar for dollar kicked in at a price of \$100/bbl. the POMV payout was zero. Under the scenario, a fiscal deficit still existed at \$100/bbl. He maintained that the limit and deficit at \$100/bbl. supported the argument for further budget cuts or the need for other revenue sources depending on the point of view.

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Commissioner Hoffbeck stressed that the limit concept was only a portion of the governor's fiscal plan and was never intended to close the fiscal gap. He reminded the committee that under the governor's fiscal plan, either additional reductions in spending, additional revenue sources, or a combination of both were necessary to complete a fiscal plan.

Representative Grenn asked Mr. Carpenter to scroll down to show actual numbers [note - model was interactive and not available on hardcopy]. He asked whether there was a deficit column. Mr. Carpenter showed a column with deficit information [not on file].

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Representative Ortiz addressed a question to the sponsor of the amendment. He asked whether the proposal impacted the "ability in any way" or potential to significantly increase capital budget expenditures in the future. Representative Thompson believed the issue needed addressing through separate legislation "with possibly a look at something in addition." His current concern was trying to impact future legislatures and restrict them from growing the budget in years of "excess funds." He wanted to maintain the amount in the PF and the Earnings Reserve Account (ERA). He agreed that oil prices were volatile, but thought it was necessary to establish something that the state "could depend on if the prices go crazy" and revenues increased significantly. He noted that the state was currently producing 50,000 barrels per day more than projected. He believed that the more money maintained in the PF benefitted the state in the future.

Representative Thompson inquired what would happen to the size of the Permanent Fund over time with a draw limit and without one. He wondered which option preserved the state's funds over the long-term.

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ALEXEI PAINTER, ANALYST, LEGISLATIVE FINANCE DIVISION, replied that they could adjust the model to significantly increase the oil price for a year to see how the scenario impacted the model with the limit versus no limit. He moved to another tab on an Excel chart [interactive model - copy not on file] that showed data for the price of \$90/bbl. in FY 2018 and then returning to the fall forecast prediction. He reported that the impact was a spike in FY 18 because "not all of the revenue would go away," but the POMV draw was "significantly" less. He assumed that the remainder of the spike would be appropriated to the Constitutional Budget Reserve (CBR) rather than spent and the remainder of that amount would remain in the ERA. He delineated that due to the four times draw provision, a good deal of the amount would be deposited into the PF principal for inflation proofing. The value of the Permanent Fund in FY 2026 was 103 percent of real value without the draw limit. If the draw limit was implemented, the revenue spike in FY 18 was decreased and the real value in FY 26 was higher at 105 percent. The draw limit resulted in a higher value in the Permanent Fund, but a lower CBR balance in future years.

Vice-Chair Gara stated that governing for seven years into the future with a restrictive formula prohibited a future legislature from raising the dividend. He announced that at some point he wanted a spending increase for pre-K and the University and did not see how the limit achieved his goals. He believed the limit scenario was well out in the future. He offered that a price of \$78/bbl. was not forecasted until 2024. He suspected they would not reach the draw limit until well above \$80 per barrel factoring in future production levels. He asked whether future production predictions could be included in the model. Mr. Painter replied LFD did not include production as a variable in the model. Vice-Chair Gara asked whether the price when the limit kicked in was much higher if production decreased as the forecast predicted. Mr. Carpenter answered in the affirmative. Vice-Chair Gara guessed that the payout limit might not be applicable through the next 7 to 12 years. He believed they were

spending time on a "mythical" provision that did not meet his "principles."

Co-Chair Seaton referred to a prior tab showing HB 115 with an income tax. He asked what the scenario would look like without the income tax. [The model was changed.]

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Co-Chair Seaton consulted the Excel presentation and surmised that without additional revenues there would be significant deficits and declining reserves over time with the payout limit. He believed the result was what the legislature was trying to avoid in the fiscal plan. He was concerned that looking at a snapshot in time even at \$95/bbl. per barrel there would still be a considerable deficit necessitating significant other revenue or ad hoc draws from the ERA. He believed the amendment would likely "force" the legislature to take ad hoc draws or money from the CBR. He was uncertain about a plan that did not accomplish a balanced budget. He stated the reason for the income tax was to contribute to solving the deficit. The amendment would mean insufficient funds and inability to achieve a balanced budget. He asked whether his assumptions were correct. Mr. Painter emphasized that the model was just showing one year. He altered the model to show revenue flat at \$90/bbl. per year without any other adjustments, which resulted in very little deficit the first two years but would appear again under the Office of Management and Budget (OMB) 10 year plan that grew the budget.

Commissioner Hoffbeck reminded the committee that the models were only projected for the FY 18 and FY 19 budget. He noted that the draw limit could occur at some point in the future. If the draw limit was eliminated, the question was whether a 5.25 percent draw was sustainable over a significant period. Without the limit and the ability to take a 5.25 percent draw; a reduced draw would increase the gap in the short-term; it may close the gap in seven or eight years, but eliminating the limit made the problem worse over the next few years.

Co-Chair Seaton asked for verification that the scenario would be the case if there was no additional revenue. He countered that if the goal was to have diversified options, a 5 percent draw was more sustainable with additional

revenue. He asked for the accuracy of his statements. Commissioner Hoffbeck answered in the affirmative.

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Representative Wilson asked where "the increase in volume came in." Mr. Carpenter answered that the model was based on the fall production forecast. The model did not include production variables. The model showed a one-year snapshot; therefore, adjusting production was not realistic, but price variability was. Representative Wilson countered that if the volume increased "it wouldn't just be about the price." She thought that the model showed just "one day in 2018 what the budget would look like." She referenced an earlier comment about the dividend payout. She asked whether the dividend could increase if the amendment was adopted and production increased. Mr. Carpenter replied that the dividend calculation occurred first and added that the dividend was excluded from the revenue limit. Subsequently, the 70 percent remainder for the POMV was subject to the limit. He interpreted Vice-Chair Gara's comments to mean that if an increased dividend was desired the amendment would theoretically limit the amount because the limit reduced the POMV payout. However, he argued that the dividend was subject to appropriation and a future legislature could do whatever it chose.

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Representative Wilson asked whether the payout limit was included in the governor's bill. Commissioner Hoffbeck answered in the affirmative [SB 26]. Representative Wilson asked for more detail on why the amendment was "the right way to go." She wondered what the amendment would accomplish that could not occur without an amendment and why the payout limit was important to the administration. Commissioner Hoffbeck replied there were several reasons why the administration favored the limit. He explained that high oil prices and a full POMV draw could "overheat spending." The second reason was related to volatility in the price of oil. The payout limit provided stability and tended to smooth the peaks and valleys of volatile revenue. For instance, a one-year spike might fuel increases in capital expenditures, but if Pre-K was increased and revenue dropped the following year, maintaining the increased level of Pre-K funding might be difficult. Finally, the impending limit allowed for higher initial

draws on the ERA. Representative Wilson asked where spending cuts came into play. She remarked that reductions were not included in the model. She wondered how flat or slightly decreased spending would come into play in the model or simply how spending affected the model.

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Mr. Carpenter restated that the model showed an FY 18 assumed budget, and with the limit the deficit was maintained in the higher priced years. He deduced that the deficit implied a pressure to reduce the budget or generate additional new revenue. He related that by FY 2023 the fall forecast predicted oil at \$75 per barrel but production was expected to decrease to 391 thousand barrels per day from 470 thousand barrels per day. He noted that production could increase or decrease by then. He referred UGF revenue with a payout limit and pointed to the blue bars representing volatile revenue. He hypothesized a scenario of declining production several years out; the blue bars were lower due to lower revenue, but the POMV payout would not be reduced as much relative to the revenue decline due to the \$1.2 billion limit. He offered a scenario with a higher payout limit; the deficit would be eliminated. He then adjusted the dollar for dollar provision to \$0.80 and \$0.80 and relayed that the change also eliminated the deficit "within the range of prices where the deficit was reduced."

Co-Chair Seaton wanted to contemplate the payout limit concept longer to determine all the ramifications. He asked what effect the income tax under HB 115 had on the models. Mr. Carpenter showed a chart [interactive - not on file] that indicated the scenarios with an income tax. Co-Chair Seaton referred to the models with the payout and no payout limit. He deduced that the deficit with or without the limit was eliminated at around \$65/bbl. or \$75/bbl. He asked where the income tax revenue was shown on the charts. Mr. Carpenter answered that the income tax was represented as non-volatile revenue in red [on the charts]. The deficit was depicted in orange and was eliminated.

Commissioner Hoffbeck added that the deficit was reduced before the payout limit went into effect in the income tax scenario, which was the reason the deficit was eliminated at the same time with or without the limit.

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Representative Guttenberg asked what value the income tax input was based on. Mr. Painter indicated that the model included the HB 115 value and only reflected half of the year's value, due to the first tax collection half way through the fiscal year (FY 18).

Vice-Chair Gara did not support the amendment at present. He requested a model that included FY 2024's forecasted production; the year the oil prices were forecasted at approximately \$80 per barrel. He suspected the payout limit would be moved well into the future. He reiterated his concerns about the payout limit and the constraints on education and university spending, increasing the dividend, and fixing state infrastructure.

Representative Grenn referred to the graph with capital budget projections from FY 19 through FY 26 [not on file]. He asked what the projected capital budget average was and guessed the spending level was approximately \$180 million. Mr. Carpenter concurred that spending was assumed flat at \$180 million based on match money and a reasonable amount for deferred maintenance needs. He voiced that the amount was "completely arbitrary."

Representative Thompson realized the charts showed a snapshot for FY 18. He surmised that since there was a 5-year lag for the POMV average, the more money left in the PF the larger the POMV and the smaller the potential deficit. He wondered whether his statement was correct. Commissioner Hoffbeck answered in the affirmative. He added that the more the PF grew the larger the POMV draw and more money would be available for government services and the dividend.

Co-Chair Seaton noted that a draw limit under \$95/bbl. would not grow the draw limit; the limit would produce a smaller draw. He believed committee members would need to think about the issue further. He requested tabling the amendment until a later time for further consideration. Commissioner Hoffbeck pointed out that the dividend was calculated before a draw limit was factored in. He reported that the dividend would always be paid against the maximum draw.

Co-Chair Seaton MOVED to table the amendment.

Representative Pruitt asked whether there was a reason for tabling the amendment versus holding the amendment until a later time.

Co-Chair Foster stated the amendment would be rolled to the bottom of the amendment packet.

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Representative Thompson WITHDREW Amendment 14, 30-LS0125\E.29 (Nauman, 3/10/17) and Amendment 15, 30-LS0125\E.30 (Nauman, 3/12/17) (copy on file).

Representative Wilson MOVED to ADOPT Amendment 16, 30-LS0125\E.23 (Nauman, 3/12/17) (copy on file):

Page 1, line 5, following "Act;":

Insert "authorizing an advisory vote to approve legislative action that appropriates money from the earnings reserve account for a purpose other than a payment of a permanent fund dividend and making the legislative action contingent on the advisory vote receiving an affirmative majority vote;"

Page 10, following line 24:

Insert new bill sections to read:

"Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to read: ADVISORY VOTE. At a special election to be held in substantial compliance with the election laws of the state, including absentee voting and the preparation, publication, and mailing of an election pamphlet under AS 15.58, the lieutenant governor shall place before the qualified voters of the state a question advisory to the legislature and the governor. The election pamphlet for the special election must comply with AS 15.58.020(a)(6), including the requirement that it contain statements that advocate voter approval or rejection of the question. Notwithstanding AS 15.80.005 and other laws relating to preparation of the ballot proposition, the question shall appear on the ballot in the following form:

QUESTION

Do you approve of the passage by the Alaska State Legislature of a bill that allows the legislature to appropriate money from the earnings reserve account

for a purpose other than a payment of a permanent fund dividend?

Yes[ ] No[ ]

Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to read:

NOTICE TO THE REVISOR OF STATUTES. The director of elections shall notify the revisor of statutes when the results of the election have been certified under AS 15.15.450 if the advisory vote authorized in sec. 16 of this Act receives an affirmative majority vote.

Sec. 18. The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT. Sections 4 and 6 of this Act take effect only if the director of elections notifies the revisor of statutes under sec. 17 of this Act that the question in the advisory vote under sec. 16 of this Act received an affirmative majority vote.

Sec. 19. If, under sec. 18 of this Act, secs. 4 and 6 of this Act take effect, they take effect on July 1 of the year following the year in which the notice is given under sec. 18 of this Act.

Renumber the following bill sections accordingly.

Page 10, line 29:

Delete `16"

Insert `16-20"

Page 10, line 31:

Delete "sec. 17"

Insert `sec. 21"

Representative Guttenberg OBJECTED.

Representative Wilson MOVED Conceptual Amendment 1. The amendment to Amendment 16 would delete the following language on page 1, lines 4 through 5 "and making the legislative action contingent on the advisory vote receiving an affirmative majority vote."

There being NO OBJECTION, Conceptual Amendment 1 to Amendment 16 was ADOPTED.

Representative Wilson spoke to the reason for removing the language. She reported that she received a legal opinion stating that the contingency language was unconstitutional. She spoke to Amendment 16. She felt that the provisions in HB 115 affected all of Alaskans and contained "big" issues that were new to Alaskans. She had heard from constituents that felt they wanted to "weigh in" on the decisions. She acknowledged that the advisory vote did not force the legislature the "abide" by the results; but hoped to start a dialogue regarding the issues.

Co-Chair Seaton was opposed to the amendment. He stated that the bill was trying to address and fix a problem. He believed they would not be able to move forward during the current 30th Legislature unless there was a special election. He did not favor waiting until after the next general election. He indicated that the delay would impose the status quo and worried that the delay would "eat up the remaining funds in the CBR." He concluded that the amendment would suspend legislative work and delay a decision by the legislature on a fiscal plan.

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Co-Chair Foster mentioned that the committee would need to address a technical amendment on page 2, line 8 through line 10 of the bill regarding the "conditional affect language." He requested that someone from Legal Services address the technical issue.

Representative Wilson discerned that the technical correction corresponded to her conceptual amendment that removed language from the title and removed conditional language within the bill. She wanted to withdraw her previous conceptual Amendment 1 [Note: the amendment to Amendment 16 had previously been adopted and was not withdrawn. A subsequent conceptual amendment was offered to fix the issue].

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AT EASE

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RECONVENED

Representative Wilson MOVED Conceptual Amendment 2 to Amendment 16.

Vice-Chair Gara OBJECTED for discussion.

Representative Wilson explained the amendment would apply to page 2, lines 6 through 10 of Amendment 16. The intent was to remove language to ensure the legislation was not contingent on a vote. She clarified that the amendment called for an advisory vote.

Co-Chair Seaton observed that Section 19 of Amendment 16 read "If, under sec. 18 of this Act..." He reasoned that if Section 18 was removed he did not know if the rest of the amendment was accurate.

Representative Wilson asked whether the Co-Chairs were planning on passing any of the amendments during the current meeting. She wanted to roll the amendment to the bottom and asked for more time to consult with Legislative Legal Services to draft a correct amendment.

Representative Pruitt asked about the special election portion of the amendment. He inquired about the cost of a special election. He suspected that a referendum might be offered on the issue. He presented a scenario where the amendment question was on the ballot during the general election along with the plebiscite. He wondered whether the two ballot questions would conflict with each other.

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Vice-Chair Gara believed the amendment sponsor was trying to address a legislative legal memo that stated the conditional language that made HB 115 contingent on an advisory vote was unconstitutional. He suggested that a broad conceptual amendment that removed all contingency language from the amendment was sufficient. He requested the sponsor make a broad conceptual amendment in order to move the discussion on Amendment 16 forward.

Representative Wilson believed some good questions were raised and she wanted to ensure that the amendment was correct. She believed that if the citizens of Alaska felt the need for a referendum she "did not want the amendment to get in the way." She wanted to get the issue right - she did not want her amendments to cause problems with the bill. She believed people had the right to a voice in decisions regarding "major" policy shifts. She declared that the bill could pass in the current year and did not

stop any progress on addressing a fiscal plan. She reiterated that the nature of an advisory vote did not commit the legislature to the outcome. She concluded that the advisory vote was an "extra step" and "forced" a larger discussion. She wanted to ensure the citizens of Alaska were part of the conversation. She restated her desire to rewrite the amendment and offer it at a later date.

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Representative Kawasaki remarked that the committee kept rolling down amendments. He wanted to deal with the amendments during the meeting.

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Representative Wilson wanted to hear from Legislative Legal Services. She emphasized her wish to not include something problematic in the bill that would interfere with a referendum.

Representative Pruitt was uncertain of the timeframe for the bill's movement through the process. He stressed his support for the sponsor to have the time to propose an amendment that she felt secure offering.

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Co-Chair Seaton was opposed to the basic premise of the Amendment 16. He did not want to either delay work on a fiscal plan or make it irrelevant due to the outcome of an advisory vote. He thought the legislature's job was to create a fiscal plan. He opined that if the public wanted a plebiscite on the fiscal plan that was a "separate" result and did not detract from the current work on a plan. He was opposed to the basic part of the amendment asking for an advisory vote. He opined that there was no use going through all the committee work if an advisory vote nullified the use of the ERA. He favored voting on the amendment in the immediate future.

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Vice-Chair Gara commented that he wanted to respect the amendment sponsor's ability to make her amendment. However, he stressed that the legislature was running out of time

during its 90-day session and felt that all of the delays halted progress.

Representative Pruitt wanted to focus on the concept of giving the amendment sponsor more time. He thought that substantial concerns over Amendment 16 were discovered during the meeting. He noted that he had been provided the Legislative Legal Services Memo [Voter Approval of Legislation HB 115 30-LS0125\E] (copy on file) during the meeting. He understood the bill's time sensitivity but emphasized that he was arguing for the ability of a member to ensure she was providing an amendment she had confidence offering. He thought that there were other committee members who supported Amendment 16.

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Co-Chair Foster wanted to ensure that the committee understood the substance of the amendment in order to move forward.

Representative Grenn had been comfortable with the initial conceptual amendment before he received the legal memo. He would like to see the maker of the amendment be given time to bring forward an amendment she was confident would accomplish her objective.

Representative Tilton voiced support for allowing time for the amendment sponsor to address the issues. She did not believe it would add much more time to the schedule. Representative Wilson apologized that she had never thought about the possibility of a referendum happening simultaneously with her ballot question. She stressed that it was not her intent to slow down the bill's progress or reverse anything. Her largest concern that she could not presently answer was how her ballot question would interfere with a simultaneous plebiscite on the question. She voiced that the whole purpose of the amendment was to give the public an opportunity to weigh in.

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Co-Chair Foster allowed the amendment sponsor time to clear the issues up. He asked if the same issue applied to Amendment 17. Representative Wilson answered in the affirmative.

Representative Thompson asked to hear Amendment 12 the next time the bill was heard.

HB 115 was HEARD and HELD in committee for further consideration.

Co-Chair Foster announced the schedule for the following day.

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ADJOURNMENT

The meeting was adjourned at 5:46 p.m.