

HOUSE FINANCE COMMITTEE
April 10, 2017
4:02 p.m.

4:02:58 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 4:02 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

Luann McVey, Self, Juneau; Laura Stats, Self, Juneau; Alyse Galvin, Self, Juneau; Brenda Taylor, Self, Juneau;

PRESENT VIA TELECONFERENCE

Luke Hopkins, self, Fairbanks; Lynette Clark, Chairman of the Alaska Independent Party, Fairbanks; Mike Coons, Self, Palmer; David Otness, Self, Cordova; Steve St. Clair, self, Mat-Su; Abby St. Clair, self, Mat-Su; Stuart Schmutzler, Self, Homer; David Nees, Alaska Policy Forum, Anchorage; Michael Chambers, Mission Critical Alaska, Anchorage; Orin Seybert, Self, Anchorage; Laura Bomner, Self, Anchorage; Pamela Samash, Self, Nenana; Paul D. Kendall, Self, Anchorage; Jennifer McNichol, Self, Sitka; Todd Smoldon, Self, Willow; Garvan Bucaria, Self, Mat-Su; Joan Johnson,

Self, Fairbanks; Michael Jespersen, Self, Anchorage; Karen Perry, Self, Chugiak; William Popel, Self, Anchorage; Eric Middlebrook, Self, Bethel; Ross Mullins, Self, Cordova; Dean Kasischke, Self, Seward; Pat Holmes, self, Kodiak; Kurt Schmidt Kasischke, Citizens of Alaska, Delta Junction; Pam Goode, Self, Rural Deltana; Stacy Turner, Self, Anchorage; James Squyres, Self, Rural Deltana; Jessie Chandler, Self, Fairbanks; Debra Kim, Self, Anchorage; `

SUMMARY

CSSB 26(FIN)

APPROP LIMIT & PER FUND:DIVIDEND;EARNINGS

CSSB 26 (FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the day.

#sb26

CS FOR SENATE BILL NO. 26(FIN)

"An Act relating to an appropriation limit; relating to the budget responsibilities of the governor; relating to the Alaska permanent fund, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits into the dividend fund; relating to the calculation and payment of permanent fund dividends; and providing for an effective date."

[4:03:33 PM](#)

Co-Chair Foster indicated public testimony for SB 26 would be heard and was limited two minutes per person.

^PUBLIC TESTIMONY

[4:04:58 PM](#)

LUANN MCVEY, SELF, JUNEAU, indicated she was a retired schoolteacher. She urged members to minimize the number of cuts to the state budget. She thought additional cuts would substantially affect the quality of life for Alaskans and would result in job losses in the state. She hoped the legislature would hold public education harmless. She

relayed that budget cuts resulted in drastic reductions in one-on-one time between students and teachers in the classroom. It also resulted in reductions to support services for students who struggled. In terms of education, there would be an impact in the future. She was pleased to see HB 111 pass in the House. She wanted to see the oil and gas companies appropriately taxed. She favored a cap on the Permanent Fund Dividend (PFD) and a personal income tax. She also wanted to see the people in small villages held harmless.

[4:08:03 PM](#)

LAURA STATS, SELF, JUNEAU, spoke in favor of CSSB 26 (FIN). She had observed several of the House Finance Committee hearings. She appreciated all of the work of the committee to create a budget for Alaska's citizens. She particularly liked Section 19 of the bill and read the conditional language it contained. She thought the language provided a more comprehensive budget plan. She had read, in Senator Gardner's newsletter, that the tax subsidies would amount to \$1.37 billion when the state would earn production taxes of \$87 million. In conclusion, she wanted to see a comprehensive budget plan passed that represented the citizens of Alaska rather than corporations.

[4:11:27 PM](#)

LUKE HOPKINS, SELF, FAIRBANKS (via teleconference), spoke in favor of CSSB 26 (FIN). He was a former North Star Borough Mayor. He asserted that it was very important that Alaskans had a PFD in the amount of \$1250. He agreed with the sunset date provision as well. He thought it was only one of the components of a comprehensive fiscal plan under consideration. He believed the proposed cuts were manageable, versus the heavy cuts proposed previously. He also agreed with the restructuring of the oil tax structure. He thought the bill addressed some of the dysfunction he had seen in producing a comprehensive fiscal plan. He did not favor draining the state's savings. He spoke to the conditional language in Section 19 of the bill. He favored broad-based revenue measures. He also supported school funding. He thanked the committee.

[4:14:44 PM](#)

LYNETTE CLARK, CHAIRMAN OF THE ALASKA INDEPENDENT PARTY, FAIRBANKS (via teleconference), spoke in opposition of CSSB 26 (FIN). She believed the bill was unnecessary and that dollars were available in the Constitutional Budget Reserve (CBR). She also favored additional reductions to the budget. She opined that taking money from the Permanent Fund (PF) and the PFD's was a form of tyranny. She strongly urged members to oppose CSSB 26 (FIN). She did not want a sales tax, an income tax, or a cap on the PFD. Instead, she wanted to see more cuts to the budget and other revenue means. She noted tax revenues from marijuana sales. She thought the percentage numbers would fill the need for a final vote. She asked the legislature not to plunge the state into a deeper recession. She mentioned a referendum and the possibility of recalling legislators. She indicated that the representatives would be removed from office through a vote of the people. She urged members to vote "no" on the legislation.

[4:19:05 PM](#)

MIKE COONS, SELF, PALMER (via teleconference), spoke in opposition of CSSB 26 (FIN). He relayed that Senator Kelly had stated that the PFD was Alaska's largest expense. He believed that the reason for the PF was to keep the government from spending all of the oil revenues. He continued that 25 percent of the PF was meant for the people of Alaska for their mineral rights. Over the years, the legislature chose not to tap the PF earnings, which he thought was good. Instead of getting into the PF earnings in a responsible way the House of Representatives wanted to spend a huge hunk of the earnings, add an income tax, and maintain government spending. He did not believe the bill was fixing the problem. He also felt the bill blatantly discriminated against rural Alaska. He urged members to vote down the bill.

[4:21:11 PM](#)

DAVID OTNESS, SELF, CORDOVA (via teleconference), spoke in opposition of the bill. He was disappointed that the legislature had allowed the state to reach its current circumstances. He did not believe the legislation reflected the vision of those people who created the PF. He felt the actions of the legislature were cheapening the legacy of the vision of Alaska's future. Other countries looked to Alaska as an example. He spoke of the state's present oil

resources but did not think there was any hope of expansion. He avowed that it was reprehensible that the state was going to raid the PF.

[4:23:49 PM](#)

STEVE ST. CLAIR, SELF, MAT-SU (via teleconference), opposed CSSB 26 (FIN). He thought the enactment of the bill should not be contingent on any other bills. He continued that all bills should stand on their own merit. He furthered that CSSB 26 took money out of the hands of Alaskans and placed it into the hands of government. He thought government needed to encourage competition within the private sector in order for Alaska to get out of a recession. He agreed that the most regressive tax was reflected in the proposed changes to the dividend. The Senate claimed to have reduced the budget by \$250 million. Alaskans will see their dividends reduced by almost \$750 million - 3 times the amount government was reduced. He thought government needed to be reduced to the point equal to the amount Alaskans were being asked to give up in the form of their dividends. He urged members to vote no on CSSB 26 (FIN).

[4:26:04 PM](#)

ABBY ST. CLAIR, SELF, MAT-SU (via teleconference), spoke in opposition of CSSB HB 26. She believed the people of Alaska had enough skin in the game. The legislature had introduced budget cuts of less than \$300 million but was demanding that Alaskans give up approximately \$700 million via their PFDs. She referred to Page 6 lines 14-20 of the bill, which stated that SB 26 would become law after the broad-based income tax and HB 111 were passed. She thought each bill should stand on their own. She mentioned having grown up in the village of Shishmaref and spoke of the high cost of living in rural Alaska. Many Alaskans relied on the PFD to help pay for heating oil, clothing, and mechanical repairs. She noted that the average household had a mere income of \$29 thousand per year according to citydata.com. She thought that taking any portion of the PFD would make it more difficult to survive in bush Alaska. She reemphasized that Alaskans had already made enough sacrifices and urged members not to consider any changes to the PFD. She was holding legislators' feet to the fire to balance the budget. She reminded members that they represented Alaskans rather than the governor.

[4:28:31 PM](#)

STUART SCHMUTZLER, SELF, HOMER (via teleconference), spoke in opposition of CSSB 26. He liked the idea of a personal income tax. He thought there were several workers that did not have to pay taxes, which he thought was wrong. He thanked the committee.

[4:30:18 PM](#)

DAVID NEES, ALASKA POLICY FORUM, ANCHORAGE (via teleconference), spoke in opposition to CSSB 26. He reported that the forum had originally scored SB 26 with a -4 rating in its freedom index. He reviewed the details of the scoring. He noted that in all of the documents from the House and the Senate there was no economic impact study of the legislation. He thought it was curious that the fiscal note was zero. He mentioned the contingency language in the newest version of the bill. The forum's score card of -4 equaled D-. The Alaska Policy Forum opposed the bill.

Representative Wilson asked if there was a new fiscal note.

[4:32:45 PM](#)

AT EASE

[4:33:45 PM](#)

RECONVENED

Co-Chair Foster clarified that there was a new fiscal note forthcoming. The new note would be available online on BASIS.

[4:34:21 PM](#)

MICHAEL CHAMBERS, MISSION CRITICAL ALASKA, ANCHORAGE (via teleconference), spoke in opposition to CSSB 26. He did not think members listened to the testimony of the citizens of Alaska and anticipated a referendum to reverse the legislation, if passed. He also suggested that members that voted in favor of SB 26 would also be on the referendum. He mentioned that Commissioner Hoffbeck had recently stated that the reason the governor went after the PFD was because it was the largest amount of accessible money. He also relayed that Senator Pete Kelly had referred to the PFD as the government's largest spend. The senator's statement assumed that the PFD belonged to government. He asserted

that it did not. He agreed with Clem Tillion that the acts of the legislature equated to theft. Government was the state's largest spend and Alaskans were not getting value for their dollars. He encouraged citizens to attend a Mission Critical Alaska event. He relayed a specific date and time of an upcoming event in Palmer. He thanked the committee.

[4:36:08 PM](#)

ORIN SEYBERT, SELF, ANCHORAGE (via teleconference), spoke in favor of CSSB 26. . He thought there was confusion about the PFD and the PF clarifying they were two separate items. He asserted that only the earnings from the PF should be used rather than the PFD. He would be the first person to protest removing the PFD from the owners of the state. He believed in a personal income tax and encouraged members to move forward with the tax. He also supported additional oil taxes. He noted that with a battery of attorneys, oil companies would assert that they would leave Alaska, but he did not believe it. However, the companies wanted certainty about the tax rate. He encouraged the legislature to set a high tax rate high for oil companies and maintain it. He thanked the committee.

[4:39:31 PM](#)

LAURA BOMNER, SELF, ANCHORAGE (via teleconference), spoke in support of the House version of the bill. She noted a couple of specific sections that she liked. She had lived in Anchorage since 1975. She appreciated the opportunity to speak.

[4:41:14 PM](#)

PAMELA SAMASH, SELF, NENANA (via teleconference), spoke in opposition to CSSB 26. She talked about having provided positive ideas to the committee. She thought her suggestions had been ignored. She mentioned that the state should support marriage and provide counseling. She urged members to vote against the legislation.

[4:44:04 PM](#)

AT EASE

[4:44:12 PM](#)

RECONVENED

PAUL D. KENDALL, SELF, ANCHORAGE (via teleconference), opposed CSSB 26. He read a letter having to do with the federal government. He spoke of the legislature convening in Anchorage. He posed the question about who really owned Alaska's resources. He mentioned Public Retirement issues. He mentioned a federal plan. He noted there was a public betrayal. He spoke to items outside of the legislation. He urged members to come together in Anchorage.

[4:48:20 PM](#)

JENNIFER MCNICHOL, SELF, SITKA (via teleconference), supported CSSB 26 because it called for a balanced approach. She was concerned about public school funding and any additional cuts. She agreed with a balanced approach that included a Permanent Fund restructuring. She thanked the committee for hearing her testimony.

[4:50:24 PM](#)

TODD SMOLDON, SELF, WILLOW (via teleconference), spoke in opposition of CSSB 26. He thanked minority members for their efforts in offering amendments. He noted the PF was created for a rainy day. He spoke of the balance in several savings accounts. He noted that it was sad that the majority and minority could not come up with a compromise plan. He very much opposed the legislation in its current form. He stated that the state was spending \$4 billion to pay for government. He thanked the committee for hearing his testimony.

[4:53:30 PM](#)

Co-Chair Foster noted the committee had been joined by Representative Thompson.

[4:53:45 PM](#)

GARVAN BUCARIA, SELF, MAT-SU (via teleconference), spoke in opposition of CSSB 26. He suggested cutting the governor's gasline project. He also opposed a state income tax and the use of the CBR. He did not want the existing PF system changed.

[4:55:09 PM](#)

ALYSE GALVIN, SELF, JUNEAU, supported portions of CSSB 26. She reminded members they were representing the entire State of Alaska. She supported a reworking of the PF earnings as contained in the bill and recognized that it was one piece of a fiscal solution. She also favored the tie-ins contained in the bill. She thought it was important that if the legislature was going to change the PF, that an equitable approach be taken, one that was fair to families. She noted having spoken with the commissioner of the Department of Revenue who shared with her that the state was losing millions of dollars by not making decisions. The commissioner spoke of resulting losses from the previous year of about \$66 million. She thought the amount would be higher in the current year. She urged members to make decisions immediately.

[4:58:27 PM](#)

BRENDA TAYLOR, SELF, JUNEAU, spoke in favor of CSSB 26. As a parent and teacher, she appreciated the model the legislature was exhibiting. She thanked the committee and encouraged a comprehensive plan.

[4:59:38 PM](#)

JOAN JOHNSON, SELF, FAIRBANKS (via teleconference), spoke in opposition to CSSB 26. She thought government spending needed to continue. She urged members to encourage investment in the state. She wished the legislature the best.

[5:00:42 PM](#)

MICHAEL JESPERSON, SELF, ANCHORAGE (via teleconference), opposed the legislation because of the conditional language included. He did not like the power play of a threat in the bill.

[5:02:00 PM](#)

KAREN PERRY, SELF, CHUGIAK (via teleconference), spoke in opposition of CSSB 26. She indicated the PF belonged to the people of Alaska. She disagreed with Senator Pete Kelly that the PFD was the largest expense in the budget. She was emphatic that legislators needed to be representatives of the people. She thought that cutting the PFD decreased jobs and threatened the economy. She noted some specific items

in the bill. She asked about ghost positions in the budget. She urged members to vote "no" on CSSB 26.

5:05:06 PM

WILLIAM POPEL, SELF, ANCHORAGE (via teleconference), spoke in opposition to CSSB 26. He arrived in Alaska in 1966. He asserted that the allotted time of 2 minutes was not enough time for citizens to provide their valuable input on a complex bill with huge ramifications. He suggested a minimum of 3 minutes. He questioned the legislature's appropriation limit of \$4.1 billion and thought the amount should be lower. He added that a lower figure should also include paying the state's debt obligations and money for capital projects. He thought the legislature should get a handle on state spending. He read a list generated by the citizens group, Mission Critical, of several budget items that were over and above constitutional expenditures. He also pointed out that restructuring the PFD distribution of 25 percent of the amount calculated did not meet former Governor Jay Hammond's 50/50 plan, which was the most desirable split for essential government services and the PFD distribution. He believed that the maximum amount of PF earnings to be spent on essential government services by his formula split would restrict government spending while continuing a tremendous economic stimulus package by private citizens for the overall Alaska economy. The split of 75/25 limited the people instead of limiting government. He also noted that the conditional language did not guarantee a PFD distribution. Current law specified that the PFD "shall" be distributed. He thought capping the PFD was the worst thing to do to the economy. He also urged a vote by the people to use the PF.

Co-Chair Seaton noted that the committee was hearing public testimony for the House Committee Substitute for SB 26, version U.

5:08:58 PM

ERIC MIDDLEBROOK, SELF, BETHEL (via teleconference), spoke in favor of the bill and of tying the legislation to the passage of the oil tax bill reducing oil tax credits. He thought cutting too much from the budget would result in hurting the economy. He alleged that a healthy state government led to a healthy economy. He felt like he was being asked to pay for someone else's dinner at a

restaurant when they should pay for their own. The oil wealth in Alaska belonged to everyone in the state. He thought cutting the PFD was a regressive course of action but favored a personal income tax.

5:12:04 PM

ROSS MULLINS, SELF, CORDOVA (via teleconference), had been a resident of Cordova since 1963 and was a commercial fisherman for 37 years. He had been forced out of business after the Exxon Valdez oil spill. He thought the House Finance Committee was a very reasonable group. He also supported HB 111 and HB 115. However, he opposed CSSB 26 because of its limited scope and conditional language. He did not think the Senate would support HB 111. He hoped the committee would continue. He thought any further cuts to the bone of the budget would force seniors out of the state. He thanked the committee for hearing his testimony.

5:16:08 PM

DEAN KASISCHKE, SELF, SEWARD (via teleconference), spoke in opposition of CSSB 26. He opposed using the PF. He thanked the committee.

Co-Chair Seaton indicated that there was no one else online. The committee would be "at ease" until 6:00 pm.

5:17:38 PM

AT EASE

5:59:24 PM

RECONVENED

PAT HOLMES, SELF, KODIAK (via teleconference), believed in an income tax. He was reluctant to see the Permanent Fund tapped but thought it was probably necessary. He also advocated for a head tax. He commended the legislature for its work. He and his wife were retired and would find a way to pay an income tax.

Co-Chair Seaton asked Mr. Holmes if he wanted to comment on the oil tax component.

Mr. Holmes thought the richest industry in the state should pay its fair share. He thought the cuts that had been implemented were impacting the smaller communities

negatively. He advocated for less credits for oil companies.

Co-Chair Foster relayed that the committee would be "at ease" until 6:30 pm.

[6:06:22 PM](#)

AT EASE

[6:30:01 PM](#)

RECONVENED

Co-Chair Foster indicated there were a few more folks wanting to testify.

[6:30:20 PM](#)

KURT SCHMIDT KASISCHKE, CITIZEN'S OF ALASKA, DELTA JUNCTION (via teleconference), spoke in opposition of CSSB 26. He thought additional cuts should be made. However, education was being attacked which he thought was foolish. He believed cutting spending as well as reducing tax credits were in order. He did not believe cutting the PFD was the right action to take. He mentioned a pending court case. He thought the money that was taken last session should be returned to the citizens of Alaska. The dividend was set aside for the people of Alaska for its resources.

[6:33:22 PM](#)

PAM GOODE, SELF, RURAL DELTANA (via teleconference), opposed CSSB 26. She thought the bill was much worse than the previous version. She opposed changing the PFD calculation, opposed HB 111, and opposed taking the people's PFD. She also asserted that last year's dividend should be restored to the people.

[6:35:05 PM](#)

STACY TURNER, SELF, ANCHORAGE (via teleconference), opposed CSSB 26. She depended on the PFD for extracurricular activities for her 5 children.

[6:35:47 PM](#)

JAMES SQUYRES, SELF, RURAL DELTANA (via teleconference), spoke against CSSB 26. He thought it was acceptable to use some of the earnings reserve without changing the PFD

calculation. However, he felt a POMV went too far. He agreed with eliminating the refundable oil and gas credits, but he believed HB 111 went too far. He also suggested that any type of income tax went too far. He favored cutting more expenses including the legislative lounge, the Medicaid extras, and a portion of the base student allocation. He agreed with Senator Dunleavy's plan and advised members to talk to him.

[6:36:59 PM](#)

JESSIE CHANDLER, SELF, FAIRBANKS (via teleconference), opposed CSSB 26. She thought the government continued to take more out of the pockets of hard working Alaskans. She offered to sit down with any of the committee members at her kitchen table to show them how she balanced her checkbook. She thought government needed to continue to reduce its spending. She opined Alaskans had more skin in the game than government. She noted that \$750 million had been taken from Alaskans. She asserted that until the government reduced its budget by the same amount, no changes should be made to the dividend or the calculation formula. She was certain the Department of Revenue would be happy to accept any dividends that Alaskans were willing to give up. She emphasized that for many Alaskans they had to choose between heating their homes and feeding their children. She concluded that the bill was about government rather than Alaskans.

[6:38:48 PM](#)

DEBRA KIM, SELF, ANCHORAGE (via teleconference), spoke in opposition of CSSB 26. She relayed that as a senior citizen cuts to the PFD hurt seniors substantially. She also thought that people in rural Alaskan villages were also inequitably affected. She suggested that the whole world was watching to see what actions the legislature would take. Other places that had oil pipelines were looking to see how Alaska conducted its business. She reiterated her opposition to the bill.

Co-Chair Foster reminded folks that they could submit their testimony in writing to housefinance@akleg.gov.

Co-Chair Foster reviewed the agenda for the following day. He reminded members that amendments for CSSB 26 were due by Tuesday, April 11, 2017 at 11:00 a.m.

CSSB 26 (FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Foster recessed the meeting to a call of the chair [Note: the meeting never reconvened].

#

ADJOURNMENT

6:41:05 PM

The meeting was adjourned at 6:41 p.m.