

HOUSE FINANCE COMMITTEE
May 2, 2017
1:37 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:37 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 Mark Neuman, Alternate
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Lance Pruitt

ALSO PRESENT

Jane Pierson, Staff, Representative Neal Foster; Laurie Wolf, President and CEO, Foraker Group; Natasha Singh, General Council Tanana Chiefs Conference; Grace Singh, Central Council Tlingit and Haida; Senator Anna McKinnon, Sponsor; Speaker Bryce Edgmon; Representative Justin Parish; Representative Lora Reinbold.

PRESENT VIA TELECONFERENCE

Trevor Storrs, Executive Director, Alaska Children's Trust, Anchorage; Jonathan King, Economist, Northern Economics;

SUMMARY

SB 107 ALASKA CAPITAL INCOME FUND

SB 107 was HEARD and HELD in committee for further consideration.

PRESENTATION: THE ECONOMY AND FISCAL POLICY OVERVIEW: ALASKA CHILDREN'S TRUST and NORTHERN ECONOMICS

PRESENTATION: THE ECONOMY AND FISCAL POLICY OVERVIEW: THE FORAKER GROUP

PRESENTATION: THE ECONOMY AND FISCAL POLICY OVERVIEW: TANANA CHIEFS CONFERENCE AND CENTRAL COUNCIL TLINGIT AND HAIDA

Co-Chair Foster reviewed the agenda for the afternoon. He noted Speaker Bryce Edgmon was in the audience.

[1:39:48 PM](#)

JANE PIERSON, STAFF, REPRESENTATIVE NEAL FOSTER, read a prepared statement from Dianne Kaplan of the Rasmusen Foundation:

Dear Chairman and House Finance Committee members,

For the record, my name is Diane Kaplan, President and CEO of Rasmusen Foundation and longtime Alaskan, and resident of Anchorage. I write today to offer my sincere appreciation and support for the efforts of this committee and to all members of the Alaska Legislature on both sides of the aisle, and in both bodies, as well as to the Governor, for the nearly universal recognition that the State's fiscal challenges must be addressed this session.

With our savings balance now below \$5 billion, less than two years' worth of deficits, we have to take meaningful action. Alaskans are expecting a solution that will take the uncertainty out of their future. A comprehensive solution can happen this session and the elements needed are all within your reach.

- A long-overdue restructure of the Permanent Fund into a percent-of-market-value (POMV) model that both preserves the dividend and uses earnings to support the State's general fund; combined with,
- A new broad-based revenue source.

- Sensible budget reductions; and,
- A revision of the state's oil and gas production tax credit system into one that encourages investment and production while also taking into account the necessity of long-term fiscal sustainability.

Each and every one of these elements is realistic. Alaskans know the schools their children attend, the roads they drive and the airports they rely on do not come free. It is time for all of us to participate in making this state economically healthy and successful. We are all in it together, the time is now to make sure our children, and grandchildren have the same opportunities we have all had in this great state. I implore you to give Alaskans the budget solutions they are counting on. The decisions will not be easy but Alaskans support you and are relying on you to make the right choices.

^PRESENTATION: THE ECONOMY AND FISCAL POLICY OVERVIEW:
ALASKA CHILDREN'S TRUST AND NORTHERN ECONOMICS

[1:42:03 PM](#)

TREVOR STORRS, EXECUTIVE DIRECTOR, ALASKA CHILDREN'S TRUST, ANCHORAGE (via teleconference), would be the main speaker. He thanked members for the opportunity to testify. He discussed a PowerPoint presentation, "Alaska Children's Trust" (copy on file).

Mr. Storrs started with slide 2. He stressed the importance of investing in early childhood education.

Mr. Storrs continued to slide 3: "Social Determinants." He explained that that the most effective way to prevent child abuse and neglect was by addressing the social determinants that fostered an environment that promoted trauma and did not build the resilience necessary to manage it. One key social determinants that influenced a family's ability to ensure that a child grew up in a safe, stable, and nurturing environment was economics. He stressed that families who lived in poverty were at greater risk of neglecting their children. He stressed, however, that poverty was not a cause of abuse and neglect.

Mr. Storrs continued to slide 4: "80 percent of Children in OCS System Live in Poverty". He stated that most of the children in the Office of Children's Services (OCS) would be classified as living in poverty.

Mr. Storrs advanced to slide 5. He stated that when the risk factors outweighed the protective factors, then child abuse and neglect could occur. He stressed that a family's level of fiscal stability played a major role.

Mr. Storrs continued to slide 6: "Reports":

1. Effect of AK Fiscal Options on Children and Families (ISER)

2. Analysis of State Fiscal Plans (Northern Economics)

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Mr. Storrs detailed slide 7: "Effect of AK Fiscal Options on Children and Families." He shared that there was a study about how the different financial options would affect families and children.

Mr. Storrs scrolled to slide 8: "How Much Might Different Ways of Raising Revenues Cost Alaska Households per Person Annually." He stated that a cut to the permanent fund dividend (PFD) would have the greatest negative detriment to families. He stated that households with children would pay approximately 2.5 times more per person than those without children for every \$100 million of revenue. He remarked that the next most costly to low income families would be sales tax. He stated that all other measures, except the graduated income tax, would cause households with children more than those without children. He shared that the report did not outline potential impacts of further cuts.

Mr. Storrs discussed slide 9: "Analysis of State Fiscal Plans: One Adult with Children." He relayed that the report was not completed due to time constraints.

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Mr. Storrs transitioned to slide 10: "Adverse Childhood Experiences Scored for Alaskan Adults and Their Five State ACE Study Peers." He stated that a key component when addressing the fiscal gap was demand for services. He felt that further cuts or new revenue sources would not result in change unless: 1. services were available to all Alaskans regardless of their socioeconomic status; 2. there was childhood investment; and 3. decreasing the level of adverse childhood experiences (ACEs) in Alaska.

Mr. Storrs advanced to the pie charts on slide 11: "Alaskan Adults and Their Income Status with Zero and Four Plus ACEs." He noted that Alaskan adults with four plus ACEs were twice as likely to make less than \$20,000 per year than their peers with zero ACEs. He stressed that the four plus ACEs individuals utilized a much higher level of services. The chart showed that those with high ACE scores were the working poor. He stated that the estimated lifetime cost per Alaskan victim of childhood neglect was nearly \$230,000.

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Mr. Storrs discussed slide 12: "Cost of Adverse Childhood Experiences." He noted that 41 percent of Medicaid enrollment in Alaska could be linked to ACEs with a cost of approximately \$360 million. He remarked that 32 percent of Alaskan smokers likely smoked due to ACEs with a cost of \$190 million. He shared that 24 percent of non-gestational diabetes were linked with ACEs with a cost of \$110 million. He stated that 14 percent of obesity cases in Alaska were linked to ACEs with a cost of \$31 million. He shared that 11 percent of binge drinking was linked to ACEs with a cost of \$70 million. He felt that the demand for services would increase, and greatly impact the state budget.

Mr. Storrs stressed that the goal of the presentation was to provide accurate data, and understand the effect of the state's most vulnerable families.

Representative Wilson in looking at the income levels in the different areas of the state. She wondered if there was a way to compare the impacts of the different regions. She mentioned North Pole versus Delta because of the local tax structures being different.

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JONATHAN KING, ECONOMIST, NORTHERN ECONOMICS (via teleconference), replied that the ISER report looked at the effect of the state level taxes. He stated that the reduced incomes from the plans would be same, regardless of region. He understood that there were local taxes that may impact the family's ability to adapt.

Representative Wilson commented the breaking point for the families with local taxes would be greater than for those without the local taxes.

Mr. King understood that logic.

Representative Wilson wondered whether the poverty level would change after the taxes and PFD reduction.

Mr. Storrs responded that the poverty was defined in a standard formula on the federal level, so there would be no change in the poverty level.

Representative Wilson remarked that the tax expenses could reduce the spendable income in a family.

Mr. Storrs responded in the affirmative.

Representative Grenn asked Mr. Storrs to comment on the effects of the groups within Alaska Children's Trust (ACT)

Mr. Storrs replied that there had not been analysis within the individual groups. He stated that the requests for funding had increased. He remarked that without the individual funding, the individuals were at risk of losing services.

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Vice-Chair Gara thanked Mr. Storrs for the work he did for children. He suggested that one of the proposals that was before the legislature would include a \$2.5 million cut to children's services and the elimination of pre-K funding. He queried comments on those issues.

Mr. Storrs reiterated that investing in children at an early age would save taxpayers money in the long term. He stressed that the best investment return was in prenatal care. He stressed that the issue was not about increased

spending, but rather using the available funds in a wise manner.

Mr. Storrs responded the goal was not to have children removed from families but rather protected. The idea was for children not to return to OCS.

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Vice-Chair Gara noted that there was an analysis about budget cuts related to job losses. He referenced a proposal that said that the legislature was looking for an additional \$750 million in cuts, and queried the effect of public and private sector jobs.

Mr. King stated that he would be providing a presentation regarding that question on Friday. He noted that there was a model of an approximately \$1 billion to the unrestricted general fund (UGF), which would result in some additional lost jobs of 44,000. He stated that a \$750 million cut could result in losing 20,000 to 30,000, with 5,000 to 7,000 being added to the status quo.

Vice-Chair Gara surmised that the total jobs were in both the public and private sector.

Mr. King agreed, and stated that for every 10 public sector jobs cut would lose 5 to 7 private sector jobs.

^PRESENTATION: THE ECONOMY AND FISCAL POLICY OVERVIEW: THE FORAKER GROUP

[2:10:22 PM](#)

LAURIE WOLF, PRESIDENT AND CEO, FORAKER GROUP, introduced herself and the PowerPoint Presentation, "The Nonprofit Sector: Economic Impact in Alaska" (copy on file) She began with slide 2: The Foraker Group":

Core Purpose: Strengthen nonprofits Core Values:
Strategic, Collaboration, Urban-Rural Native-
NonNative, Sustainability

4 lines of business to serve Alaska nonprofits and tribes:

1. Educational Opportunities (online and in-person)
2. Organizational Development (consulting, facilitation)
3. Shared Services (back-room services)
4. State Association (advocacy, research, statewide initiatives)

Ms. Wolf advanced to slide 3, "Standing Beside Alaska Nonprofits":

WE ARE PART OF EVERYDAY LIFE IN ALASKA

- We fill the gap between government services and critical community needs
- We bring activities to Alaskans in ways that aren't supported by commercial endeavors
- We are at the forefront of building communities, creating change, and driving innovation.
- We focus on the greater good and have a significant impact on the economy.

Ms. Wolf turned to slide 4: "4,800 501(c)(3) ORGANIZATIONS REFLECT A VARIETY OF MISSIONS." She noted the different organizations and the variety of missions within the support of the Foraker Group.

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Ms. Wolf moved to slide 6: "ALASKA'S NONPROFIT ECONOMIC IMPACT IS SIGNIFICANT":

\$4.4 billion - direct expenditures by charitable nonprofits

\$2.1 billion - direct expenditures by other nonprofits

Total:

\$6.5 billion - direct expenditures by all nonprofits

39,000 - total employees

Ms. Wolf scrolled to slide 7: "ALASKA NONPROFITS HAVE A SIGNIFICANT ECONOMIC IMPACT." She noted that adding a standard economic multiplier to the 39,000 jobs would result in a larger impact of the nonprofit sector on the state's economy. She remarked that 39,000 jobs could become 63,000 jobs in the state.

Ms. Wolf detailed slide 8: "Alaska Industry Comparisons":

- Oil
 - 110,000 jobs
 - \$6 Billion Wages

- Fishing
 - 78,000 jobs
 - \$1.6 Billion Wages

- Nonprofits
 - 63,000 jobs
 - \$2.5 Billion Wages

He pointed to the distribution on slide 9: "NONPROFITS PROVIDE RURAL JOBS." She stressed that, in the country, the nonprofit sector was 10.6 percent of workforce. She stated that the nonprofit sector was approximately 12 percent. She noted that the rural areas showed a greater impact of the nonprofit workforce.

Ms. Wolf advanced to slide 10: "GOVERNMENT FUNDING CONTINUES TO DECLINE -- A look at for 501(C)(3)." She noted that mission related business income was increasing for the nonprofits, and federal funding was decreasing. She remarked that Alaskans typically "out gave" in households across the state.

Ms. Wolf showed the statistics on slide 12: "Respondents: Statewide, across subsectors, and primarily CEOs." She stressed that it was unknown whether the nonprofits could "make up for the losses in government funding at the same rate that they are declining." He stated that organizations were creatively partnering with government, businesses, and other nonprofits.

Ms. Wolf moved to slide 13: "Nonprofit leaders are generally pessimistic about the national landscape: Boards are more pessimistic than CEOs." She remarked that there were more board members than the CEOs, but they came from every sector of the economy. She remarked that the nonprofit CEOs were accustomed to "weathering storms" and working in fairly difficult situations.

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Ms. Wolf scrolled to slide 14: " Nonprofit boards are more anxious than CEO's about the state economy - overall worry prevails."

Ms. Wolf continued to slide 15: "Alaska state fiscal gap is effecting organizations primarily through funding and uncertainty." She shared that most nonprofits stated that the fiscal gap was affecting the overall mission, because of funding.

Representative Grenn asked Ms. Wolf to clarify what funding meant.

Ms. Wolf responded that the fiscal gap causing high anxiety.

Ms. Wolf advanced to slide 16: "Nonprofits have less unrestricted cash reserves readily available compared to last year." She stated that the nonprofits were utilizing savings to cover the cost of late government payments from the year prior. She stated that nonprofits expected their earned income to increase and the government funds to decrease. She relayed that the philanthropy levels were uncertain.

Representative Wilson queried the numbers of donations to Pick Click Give.

Ms. Wolf did not have those numbers, but shared that the numbers did not drop to the level of uncertainty.

Representative Wilson wondered whether there was a concern about using the PFD to pay for an income tax.

Ms. Wolf replied that she did not know the answer.

Representative Wilson thought the information would be very relevant to the discussion on the previous Friday.

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Vice-Chair Gara asked if there was a way to measure the overall nonprofit funding. He wondered if the funding was increasing or decreasing.

Ms. Wolf responded that both state and federal funding was down. The Foraker Group would continue its efforts to

support nonprofits. However, philanthropy would not grow at the same rate as in the past.

Vice-Chair Gara asked if lost jobs were reflected in the contribution numbers.

Ms. Wolf thought it was too early to tell at present.

Representative Grenn wondered whether the Foraker tracked corporate giving in the state.

Ms. Wolf responded that there was no single way to track the data. The state had just begun at looking at the information.

Representative Grenn noted that there had had mentioned about some examples of collaboration.

Ms. Wolf agreed to provide that information.

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Representative Guttenberg wondered whether there was an analysis of the stress of the staff in the nonprofits.

Ms. Wolf answered that Foraker had worked to create support mechanisms for CEOs, development professionals, and direct service providers.

Representative Neuman believed there were other ways to approach work. He announced nonprofits believed the cumbersome daily paperwork made up a large portion of their operating expenditures. He asked if it was a big topic of conversation amongst nonprofits. He wondered about tools to reduce redundancy.

Ms. Wolf replied that she could not speak to the amount of money. The group had encouraged the entities to work in partnership. She recommended inviting the nonprofit leaders to the table to get the answer. She stressed that if they were not brought to the table a good answer would not be obtained. Collaboration was desired; however, competition was created. She spoke to making nonprofits compete for funding and relayed that it was nonsensical. She strongly encouraged legislators to invite the nonprofits to the table.

Representative Neuman surmised that Ms. Wolf believed a large expense for nonprofits related to red tape. He queried the effect of regulation on the report.

Ms. Wolf did not have the data. She believed it was necessary for legislators to decide the areas of opportunities and to invite the nonprofits to the table.

Representative Neuman shared he had approached the governor the previous year about the issue. He provided detail about Administrative Order 266 - it had not gone far down the line. He was frustrated about the process with nonprofits.

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Representative Guttenberg discussed that when nonprofits went for grants there were caps on the amount that could be used for administrative services. He reasoned that groups would not pursue a grant if it did not make financial sense.

Ms. Wolf replied by referring to the "overhead myth." The group encouraged all funders to be realistic about what it required to do their work.

Representative Grenn asked about administrative costs. He shared a general scenario. He wondered if an organization's costs were up to 70 percent.

Ms. Wolf answered it was too general of a scenario to reply to.

Vice-Chair Gara mentioned some of the proposals with cuts to senior services, children's' services, and mental health services. He shared that there was a belief that the nonprofits would cover those costs. He wondered whether the nonprofits had the ability to address those large budget costs.

Ms. Wolf replied that the nonprofits did not have the money to cover the cost.

Vice-Chair Gara asked if her response was a "no."

Ms. Wolf elaborated that the non-profits were doing much of their work on behalf of the state. She did not believe that

philanthropy would make up the difference in the budget in the state.

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Vice-Chair Gara stated that applying for grants was difficult in all business sectors.

Ms. Wolf argued that government funds were much harder to ask for and to manage than private philanthropy.

Vice-Chair Gara remarked that he would have a discussion after the meeting.

Representative Neuman referred to slide 10, and queried the dollar value of the 30 percent of the funding revenue for nonprofits.

Ms. Wolf clarified that he was looking for numbers from 2013. She stated that the earned revenue was \$1.74 billion; government grants was \$1.48 billion; and contributions was \$330 million.

Representative Neuman remarked that, even with 10 percent efficiencies, there would be an addition \$148 million for nonprofits.

Co-Chair Foster encouraged Ms. Wolf to continue.

Ms. Wolf discussed slide 17: "The most significant public policy issue that needs to be addressed for organizations to succeed." She stressed that the highest concern for nonprofits was the Alaska state budget.

Ms. Wolf concluded with slide 18: "Nonprofits want: Economic durability, predictability, stability":

- Budget cuts undermines the ability to deliver services and ends up costing the state more in the long run.
- The price of doing nothing is substantial
- We are asking for long-term plan so we can plan, not just react.

Ms. Wolf urged members to come up with a long-term fiscal plan. Since 2015, The Foraker Group was asking for a long-term fiscal plan. In closing, The Foraker Group stood with the State in partnership.

Co-Chair Foster recognized Representative Justin Parish in the audience.

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Representative Guttenberg agreed with Ms. Wolf's comment that state is in partnership with non-profits. He wondered whether the state had a comprehensive plan about how it delivered the grants and services.

Ms. Wolf replied in the negative, and believed that no state had that program.

Representative Wilson wanted to make a distinction of cuts versus the restructuring of programs. She wondered whether the larger programs should be examined, such as Medicaid, to examine cost savings measures.

Ms. Wolf thought the representative had a healthy line of reasoning. She stated that there were current experts.

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Representative Wilson wanted to have those experts to present to the committee.

Co-Chair Seaton stated that the costs in current bills could not be included in the conversations.

Ms. Wolf responded that the method mergers were expenses - any reorganization cost money. They needed a comprehensive plan.

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Representative Wilson clarified that she was referring to the government process, not the nonprofit programs.

^PRESENTATION: THE ECONOMY AND FISCAL POLICY OVERVIEW: TANANA CHIEFS CONFERENCE and CENTRAL COUNCIL TLINGIT AND HAIDA

[3:00:41 PM](#)

NATASHA SINGH, GENERAL COUNCIL TANANA CHIEFS CONFERENCE, introduced herself.

GRACE SINGH, CENTRAL COUNCIL TLINGIT AND HAIDA, introduced herself.

Ms. N. Singh read from a prepared statement:

Mr. Chairman, members of the House Finance Committee, THANK YOU for the opportunity to testify today. For the record, my name is Natasha Singh, General Counsel, Tanana Chiefs Conference. I offer greetings from our CEO and Chief, Victor Joseph, who regrets that he cannot be here in person with us today.

And for the record, my name is Grace Singh, Government Affairs Liaison, for Central Council of Tlingit and Indian Tribes of Alaska. And I offer greetings from our President, Richard Peterson. Both President Peterson and Chief Joseph are attending the Governor's Tribal Advisory Council, which was scheduled before this generous invitation. And we might as well get the first question out of the way. YES. We are sisters. And, yes, she's the older sister.

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Ms. N. Singh continued to read from a prepared statement:

Today we would like to spend a few minutes describing the origins of Native regional nonprofits, our role in our communities, and the scope of the services we provide. We will also spend a few minutes talking about the numerous ways our organizations intersect with the State of Alaska, particularly where we provide contract services to Alaskans on behalf of the State. And along the way I'm sure we're going to touch on a couple observations about the Fiscal Year 2018 budget that is under discussion here in Juneau.

While Tanana Chiefs Conference was not officially formed until 1962, the history of how our organization came to be dates back just over 100 years. In 1915, tribal Chiefs from throughout the region joined together to protect Native land rights, an issue that continues today.

Today, Tanana Chiefs Conference (TCC) is a consortium of 42 interior Alaska communities, 37 of those are tribes. We provide a variety of services from land surveying to dental health, tribal court support to prevention services and we provide these services in an area of 235,000 square miles or about 37 percent of the entire state. TCC serves more than 16,000 Alaska Natives in interior Alaska and an additional 5,000 non-native residents.

TCC and other tribes and non-profits have the authority under federal law to provide health, behavioral, workforce development and tribal government support through federal contracts and grants. Also through specific statutes and agreements with the State, TCC provides state services, which we will highlight more in a few minutes.

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Ms. G. Singh continued to read from a prepared statement:

Mr. Chairman, again for the record, this is Grace Singh speaking... Central Council Tlingit and Haida Indian Tribes of Alaska was formed in 1935 to pursue a land settlement on behalf of the Tlingit and Haida people. The organization of Tlingit and Haida evolved out of the desire to retain a traditional way of life, through the efforts of the Alaska Native Brotherhood and Sisterhood.

Tlingit and Haida is unique among the state's regional nonprofits, as a federally recognized regional tribal government serving more than 30,000 tribal citizens. Several of our peer nonprofits across the state represent tribal consortiums, the largest of which being TCC with 37 federally recognized tribes.

These nonprofit organizations provide services to rural Alaska on behalf of the State and Federal governments. These compacted services significantly saves the State and Federal agencies money, as tribal governments have the networks and infrastructure in rural Alaska required to administer these programs.

Contrary to popular belief, these nonprofit service providers are not 100 percent funded by Federal and

State agencies. The programs are often significantly underfunded, and to provide quality services and employees, tribes like Tlingit and Haida compensate more than a million dollars a year for these programs that benefit Natives and Non-Natives in rural Alaska.

In addition to being a stand-alone organization, Central Council contributes to a partnership of five regional nonprofits, known as the Alaska Regional Coalition. Together we five nonprofits, which includes:

- Central Council here in Southeast
- TCC in the Interior,
- Maniilaq in Northwest
- Kawerak in the Bering Straits region,
- Chugachmiut in Prince William Sound region,

Our coalition brings approximately one quarter of a billion dollars in federal money annually to the State of Alaska.

And while we are not here today to speak for other regional nonprofits outside of our coalition, we would point out that, together, the state's Native nonprofits, whether they be Tribal authorities, housing authorities, or health, or justice organizations, the overall economic impact of our organizations runs into the multiple billions of new money to the state annually.

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Ms. N. Singh continued to read from a prepared statement:

Mr. Chairman, again, for the record, this is Natasha Singh speaking... Today's topic, "Alaska's Economy and Fiscal Policy," is a welcome conversation because the state's Native regional nonprofits, we have a significant role in delivering essential services to Alaska residents. And not just to tribal members. It is important to note here, on the record, that we provide services to EVERYBODY in our communities, not solely Alaska Natives. It is a myth that our services are limited to one Alaskan and not another.

And this is as good a time as any to address a misconception about Alaska Natives wanting an income tax because we wouldn't have to pay it. This is not the case. Our regional corporations, our development companies, and our regional nonprofits generate billions of dollars of revenue in the state. Not to mention the thousands upon thousands of Alaska Natives who live and work in our state. Or the hundreds of high-paying jobs these entities create for non-Natives who enjoy the benefit of working for any of our numerous enterprises. Our staff and headquarters are often located in the state's major population centers, and we generate robust revenue for municipalities and the state through our economic activity. We often hear that we want an income tax because we would not pay it. That is simply not the case. We want an income tax because it is best for Alaska. We are part of this state, and we contribute far more to the economy than we are credited for in discussions about fiscal policy.

That said, Tanana Chiefs Conference therefore has numerous critically important intersections with the State budget, primarily with the State Department of Health and Social Services but also with the Department of Public Safety, where we provide public safety services in remote rural Alaska, with the Department of Law, where we partner with the State of Alaska to deliver judicial services that keep people accountable to their communities and to the State, with the Department of Labor for voc-ed and job training, and with the Department of Education and Early Development where we provide Head Start programs on behalf of the State and U.S. Dept. of Education. And, it should be noted, we provide these contract services at a savings to the state.

Now we would like to provide specific examples of the types of essential services that the state, through Constitutional or statutory obligation, are provided by TCC through contract.

I am very proud that our State through TCC is committed to supporting our elders. The Senior community based grants are specifically designed to help elders maintain independence and remain in their own homes and communities. We have an elder in

Nenana, Claude, who is able to live at home, which save the state, but also is the place where he wants to be. The community benefits from retaining the elders' knowledge at home to teach the younger generations.

In addition to elder services, the State, through TCC provides a variety of programs for the disabled, children with complex medical conditions, Alaskans with traumatic brain injuries, or Alzheimer's disease and related disorders. We provide programs and services to improve the quality of life for people who are impacted by mental disorders or illnesses. Really the most vulnerable Alaskans.

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Ms. G. Singh continued to read from a prepared statement:

While most of TCC funding is through federal contracts, interior Alaskan's rely heavily on State funding for behavioral health and substance abuse treatment. Unfortunately, as opioids and meth become epidemic across our nation and state, more and more Alaskan families are in need of these vital services that either prevent abuse or treat abuse. The state through TCC provides help to individuals at the onset of a behavioral health crisis or psychiatric emergency, recognizing - even at the earliest stages of the intervention - that the goal is always to maintain the individual in the least restrictive and clinically appropriate ("closest to home") location.

We recently received a grant for the community of Tok, predominately a non-Native community in which the entire program was at maximum capacity before the doors opened. TCC, on its own, is supplementing the grant so we do not turn anyone away.

Alaska cannot afford to have less of these services given the increased rates of drug use, we need more.

Given what Natasha said about the current epidemic of drug use, it is more critical today to improve rural public safety. Through contract with the Department of Public Safety, we provide the Village Public Safety Officer Program.

The VPSOs:

- Preserve public peace,
- protect life and property;
- and provide public safety
- for Alaska citizens both Native and Non-Native in Rural communities.

The VPSO officers are first responders to violent and emergency circumstances until the Alaska State Troopers are able to travel to the villages.

This is an example of something that causes us some concern. The Senate version of the operating budget recommends a decrease of \$200 thousand to fund Alaska State Trooper positions.

While we support efforts to increase public safety presence in Alaska, we do not want it done at the expense of rural Alaska. In fact, the funds targeted for reallocation are currently used to support the VPSO program. These funds are primarily reserved for VPSO positions, but when there are vacancies, those funds can and are used to address recruitment and retention efforts and unfunded mandates such as holding cells and offices. We would hope the Conference Committee supports the House version LINES 7 and 13 on the DPS "Motion Sheet."

However, if the Senate version is adopted, we would ask that VPSO contractors be invited to participate in preparation of the DPS report to the Senate about efforts to improve recruitment and retention.

To be clear, Tlingit and Haida and the Alaska Regional Coalition supports every effort to increase public safety services throughout the State. And we encourage the House and Senate to provide a complete fiscal solution in order to provide these very necessary services.

With the understanding of the extensive work provided for the State by our regional nonprofits, I would ask that you consider for a moment what is at stake if the State:

- cuts funds to these programs,
- or selects a fiscal plan that relies on multiple years of continued cuts
- without a complete plan in place to preserve these essential services.

We recognize that the cuts identified by the legislature and governor over the past three years were necessary to address the changing fiscal landscape we face in Alaska today. We also believe those cuts have gone far enough.

We believe that additional cuts jeopardize the Constitutional and statutory obligations to provide public safety and health and social services to all Alaskans, regardless of their socioeconomic status or where they reside.

Central Council Tlingit and Haida has contemplated that question and this spring passed a resolution reaffirming our support for a complete fiscal plan that includes a progressive, broad-based revenue measure to balance the regressivity of cuts to state spending and a cap on the dividend. The Central Council resolution reads, in part:

"the Executive Council supports a multifaceted tax structure that wholly addresses Alaska's fiscal crisis; and opposes a tax structure that burdens rural Alaska residents and communities."

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Ms. N. Singh continued to read from a prepared statement:

And the Tanana Chiefs Conference, also rightly concerned about the State's ability to provide essential services over time, TCC passed a resolution in 2015 and this spring that echoes TH' resolution, but also comes out explicitly in favor of a specific type of revenue:

"Tanana Chiefs Conference supports the most vulnerable including children, the elderly, single parents, and low-income Alaskans and opposes any State of Alaska deficit solution that would disproportionately impact these vulnerable groups; and ... that Tanana Chiefs Conference

supports legislation that introduces an income tax."

The members of The Alaska Regional Coalition of Native regional nonprofits are at various stages of explicit support for an income tax. TCC, Kawerak and AFN all full support an income tax- but what we all have in common is that we believe a complete plan is necessary and that a progressive element is necessary to balance the regressive elements of a cut and cap plan.

[3:18:07 PM](#)

Ms. G. Singh continued to read from a prepared statement:

It may come as no surprise to you that we support a progressive revenue element to balance to regressive nature of budget cuts and a dividend cap, that we support a long-term solution over ones that leave it to chance whether the State can balance its budget, and that whatever plan the Legislature agrees to is equitable across urban and rural Alaska.

[3:18:53 PM](#)

Ms. N. Singh continued to read from a prepared statement:

We hope that we have dispelled some myths today about the contributions that our beneficiaries make in terms of paying our share of the cost of providing state services. We are willing to accept that a Permanent Fund restructure and a dividend cap are reasonable steps that this state must take, but we urge you to consider the ethical and moral obligation we all have to one another to balance those elements with a progressive revenue measure to avoid disproportionately impacting one Alaskan over another. We are all in this together and we are proud to do our part to stabilize the state economy and support a complete fiscal plan.

With that, Mr. Chairman, we are available for questions. And, again, thank you for the opportunity to come speak with you today.

[3:19:57 PM](#)

Vice-Chair Gara apologized for the idea that a region of the state may benefit another region more than another. He appreciated the perspective of the senior community, and various people who did not have a voice in the legislature.

Representative Neuman was confused. He asked about comments made as to tax measures that would disproportionately affect certain people. He wondered how TCC was in favor of using the PFD.

Ms. N. Singh replied that a reduction of the PFD would disproportionately negatively affect her beneficiaries. She stated, however, that she would not support a Permanent Fund restructuring, if that was the only option available.

Representative Neuman queried the ability to adjust to regulations. He wondered how much extra paperwork and money spent could be required to have adequate accountability for the funds.

Ms. N. Singh replied that a large percentage of contracts were federal contracts in the Self-Determined Education Assistance Act. The federal regulations allowed for compacts to piece together programs and the reporting was done under one umbrella. She stated that there was already an efficient system, which she felt that the state should also adopt.

Representative Neuman continued to speak to the issue of regulations.

[3:26:24 PM](#)

Representative Wilson mentioned that the oil tax reform was a part of the solution. She asked about hearing concerns of a change in tax regime.

Ms. N. Singh noted that both entities had not taken a position on oil tax reform.

Representative Wilson stressed that oil tax reform was part of the issue.

Ms. G. Singh commented on Representative Neuman question about the capping of the PFD. She stated that restructuring was part of the plan, because the income tax should not go back as credit to the oil companies.

Ms. N. Singh stressed that there was a concern about job loss in all sectors.

Representative Wilson asked about people's positions about the overall impact of spendable cash. She asked if any stress could be tolerated.

Ms. N. Singh responded that she believed that all of the issues had been before the council.

[3:31:15 PM](#)

Representative Wilson asked about any other concerns that were discussed. She asked Ms. N. Singh to share with the committee.

Co-Chair Seaton thanked the presenters and acknowledged the services provided by the organizations. He was appreciative of other para-educators throughout the state. He referred to an Institute of Social and Economic Research (ISER) study related to children and families - the study broke out the information. The idea that rural Alaska was poor and did not have people who would pay income tax was dispelled in the report. He reiterated his thanks.

Representative Neuman had heard the goal stated of treating all Alaskans fairly. He spoke to reducing the Permanent Fund Dividend.

Ms. N. Singh was going off the premise that Alaskan's were different. The dollar means something different to different groups of people.

[3:36:19 PM](#)

Representative Neuman commented that most Alaskans would be able to absorb the costs. He asked if she recognized the fact that people in the state had differences

Ms. N. Singh was not familiar with the specific bill measures Representative Neuman was referencing. She admitted that the circumstances were so difficult - both the problems and the solution. She mentioned the word "Compromise" and a long-term vision for the state. She emphasized that there had to be a complete plan in the current year.

Representative Guttenberg welcomed the testifiers. He encouraged them to come often.

[3:41:07 PM](#)

Vice-Chair Gara asked if she wanted to see continued cuts.

Ms. N. Singh responded that she did not want to see further cuts.

Co-Chair Foster discussed housekeeping.

#sb107

SENATE BILL NO. 107

"An Act relating to the Alaska capital income fund."

[3:46:12 PM](#)

Co-Chair Foster relayed that it was the first hearing for the legislation.

[3:46:33 PM](#)

SENATOR ANNA MCKINNON, SPONSOR, read the Sponsor Statement (copy on file):

The State of Alaska maintains over 2,200 facilities, which span over 14 entities, including the University of Alaska and the Court system. These facilities total 19 million square feet of space and have a combined replacement value of \$8.6 billion.

The State's current outstanding deferred maintenance backlog totals over \$1.84 billion, which peaked in FY2012 at \$2.3 billion. With current funding levels and no consistent funding source, the deferred maintenance backlog is expected to trend up, causing our facilities to fall into disrepair.

The Alaska capital income fund was created in 2006 and receives an annual deposit of the earnings from the Amerada Hess Settlement invested by the Permanent Fund.

Senate Bill 107 envisions using these funds, which cannot be used for dividends, to provide reliable annual funding for preventative and deferred maintenance. It is important we set up this mechanism to continue to preserve our investment in these facilities as the infrastructure ages and cost for repairs and replacement increases.

[3:48:09 PM](#)

Representative Kawasaki wondered whether the language restricted the use of the funds.

Co-Chair MacKinnon stated that she could not put restraints on the use of the fund. The main intent of the bill was to encourage future legislatures to spend the funding on deferred maintenance.

Representative Kawasaki surmised that the bill could not constrain other legislatures, but wanted to establish the intent of the fund.

Co-Chair MacKinnon responded agreed.

Representative Kawasaki asked how much was in the fund at present.

Co-Chair MacKinnon responded that it had a 6 percent interest rate at approximately \$26 million.

[3:50:48 PM](#)

Representative Thompson had been concerned with deferred maintenance. He stressed that there were many deferred maintenance projects.

Co-Chair Foster noted the other testifiers available for questions.

Representative Wilson asked about the prioritization list.

Co-Chair MacKinnon responded that the capital budget chairman would take the budget from the government to evaluate the use of appropriations or general fund dollars on an annual basis. The fund could be redirected to prioritize deferred maintenance.

Representative Wilson wondered if there had been an assessment of all of the smaller buildings, and whether those buildings were still utilized. She queried who decided whether a building be closed permanently .

Co-Chair MacKinnon responded that the state did most of the prioritization, and thought some of the bill needed to go through a more formal process.

[3:54:45 PM](#)

Representative Neuman asked why the bill was needed. The bill was an advisory bill. He understood the importance of maintaining buildings, but felt that the bill gave away the appropriation authority of the legislature.

Co-Chair MacKinnon posed the question as to why the state would not put its best foot forward to address deferred maintenance. It was a step in the right direction. She appreciated the question.

Representative Neuman asked about the naming of the fund, and whether it bound future legislatures.

Co-Chair MacKinnon suggested that any future legislature could do what it wanted.

Co-Chair Foster recognized Representative Reinbold in the audience.

[3:59:21 PM](#)

Co-Chair Seaton asked if the item would be a part of the capital budget or the operating budget.

Vice-Chair Gara did not want to vote for empty legislation.

Co-Chair MacKinnon stressed that the state had a budget deficit, and the bill helped to assign funds for needed deferred maintenance.

[4:04:03 PM](#)

Vice-Chair Gara commented that she was in the company of Governor Walker and the previous governor.

Co-Chair Foster thanked the presenter and indicated he would be setting the bill aside. He reviewed the agenda for the following meeting.

SB 107 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

4:05:45 PM

The meeting was adjourned at 4:05 p.m.