

HOUSE FINANCE COMMITTEE
March 12, 2018
3:11 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 3:11 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

Representative Paul Seaton; Arnold Liebelt, Staff,
Representative Paul Seaton; Doug Gardner, Director,
Legislative Legal Services; Angela Rodell, Executive
Director, Alaska Permanent Fund Corporation; Representative
Steve Thompson; Max Thompson, Son, Representative Steve
Thompson; Forrest Wolfe, Staff, Representative Steve
Thompson; Martin Stepetin Sr, Self, Juneau; Representative
Justin Parish; Representative Louise Stutes; Representative
Geran Tarr.

PRESENT VIA TELECONFERENCE

Loretta Jones, Self, Wrangell; Michael Chambers, Self,
Anchorage; Michael Garhart, Self, Wasilla; Joel Sigman,
Self, Wasilla; Mike Alexander, Self, Big Lake; Muriel

Gillette, Self, Big Lake; Cris Eichenlaub, Self, Eagle River; Richard Heller, Self, Chugiak; James Squyers, Self, Rural Deltana; Mike Coons, Self, Palmer; Herman Morgan, Self, Aniak; Lynette Clark, Self, Fox; Kurt Schmitt, Self, Delta Junction; William Topel, Self, Anchorage; Ed Martin, Self, Cooper Landing; Ronald Larkin, Self, Fairbanks; Randy Griffin, Self, Fairbanks; Garvan Bucaria, Self, Wasilla; William Deaton, self, Cordova; Wayne Ozosky, Self, Wasilla; Bill Reiner, Self, Anchorage; Benjamin Williams, Self, North Pole; Mikki Barker, Self, Fairbanks; David Strickland, Self, Delta Junction; Karen Perry, Self, Chugiak; Bonnie Lilley, Self, Anchorage; Sally Johnson, Self, Palmer; Steven Wright, Self, Palmer; Gail Kozlowski, Self, Wasilla; Ed Kaiser, Self, Wasilla; Bert Houghtaling, Self, Big Lake; William Lambert, Self, North Pole; Michael Boll, Self, Wasilla; Sarah Vance, Self, Homer; Libby Dalton, Self, Fairbanks; Hilda Lestron, Self, Seward; Robert Christianson, Self, Fairbanks; Michael Sheldon, Self, Petersburg; Jim Weidner, Self, Fairbanks; Joe Schlanger, Self, Wasilla; Leslie Dodge, Self, Houston; Tom Lakosh, Self, Anchorage; John Vandiest, Self, Palmer; Janet Mclain, Self, Palmer.

SUMMARY

HB 97 REPEAL AK FIRE STANDS. COUNCIL TAX CREDIT

HB 97(STA) was REPORTED out of committee with a "do pass" recommendation and with one zero fiscal note from the Department of Public Safety.

HJR 23 CONST AM: PERMANENT FUND; POMV; DIVIDEND;

HJR 23 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hjr23

HOUSE JOINT RESOLUTION NO. 23

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund.

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Vice-Chair Gara MOVED to ADOPT the proposed committee substitute for HJR 23, Work Draft 30-LS0838\T (Martin, 3/11/18).

Representative Wilson OBJECTED for discussion.

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Representative Wilson asked for the difference between the previous bill as well.

REPRESENTATIVE PAUL SEATON, explained the changes in the work draft. He relayed that the option in the bill had not been the first choice. He detailed that the initial choice had been a comprehensive fiscal plan to balance the state's revenues with its expenditures, which would protect the Permanent Fund Dividend (PFD). The PFD was in statute only, not in the constitution. There had been challenges with the other body that had communicated there would be no diversification of the state's revenues until PFDs were no longer sent out. He explained it meant that the only source of readily available revenue in the future was to reduce the PFD or eliminate it, which the House Majority coalition was adamantly against. The bill provided an alternative to protecting the PFD was to include it in the constitution through a vote of the public.

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Co-Chair Seaton explained that HJR 23 was a constitutional amendment.

Co-Chair Foster recognized Representative Pruitt had joined the meeting.

Co-Chair Seaton provided a PowerPoint presentation titled "HJR 23 - Constitutional Amendment Permanent Fund; POMV; Dividend" (copy on file). He began with a bubble chart on slide 2 of the presentation. The Permanent Fund was made up of principal and the earnings reserve account (ERA). The bill proposed a 4.75 percent percent of market value (POMV) automatic transfer to the General Fund (GF) - 67 percent would go to essential public services and 33 percent would go to the dividend. He noted that the 67 percent would remain in GF for expenditures and appropriation by the legislature. The bill included the current method of inflation proofing of the Permanent Fund with a majority

vote. He noted the House's budget contained \$942 million for inflation proofing by depositing the money back into the fund's principal. He explained that ad hoc draws (draws in addition to the 4.75 POMV transfer) would require a three-quarter vote of the legislature. The goal was to ensure the ERA was not depleted - the 4.75 percent POMV would come from the ERA. The bill maintained the constitutional provision that prevented the legislature from appropriating money out of the fund's principal.

Co-Chair Seaton explained that the bill language used the word "may" because a structure that changed multiple articles of the constitution would take a constitutional convention - it would be eliminating the legislature's power of appropriation, the governor's right to veto an appropriation, and setting it up as a higher designated use than public safety, education, and the other things in Article I that were the legislature's responsibility. He believed it would be a high bar to get over (once the voters had voted) for a certain amount of the transfer that would go to dividends for the legislature to violate that.

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Co-Chair Seaton turned to a table on slide 3 showing a 4.75 POMV from FY 19 through FY 27. He explained the amount reflected the same figures included in the current budget. He noted the previous budget bill had included a POMV transfer and then a draw that could be made by statute instead of automatic transfer. The table included the same 67/33 percent split which would result in a dividend of \$1,258 in the current year and \$1,635 in FY 27. The current formula for distribution was based on earnings. He elaborated that 50 percent of earnings could be a volatile number on an annual basis; there had been efforts to smooth the figure out by using five of the previous six years, but it was still much more volatile than value of the entire fund. The bill's objective was a sustainable draw from the ERA over time. The 4.5 percent draw was not to exceed the balance of the fund. He explained that if at some time the fund was less than 4.75 percent, it would not mean there would be no draw, but a draw would be taken up to the balance of the fund. He detailed if there was only 4.5 percent available, 4.5 percent would be drawn.

Co-Chair Seaton replied to an earlier question by Representative Wilson. The previous bill had contained a 5 percent draw. The goal was the most sustainable level over time. He explained that because the language would be in the constitution it was meant to endure for a long time. He expounded that a 5 percent draw had been viewed as somewhat risky over time. The other bill had specified the PFD was mandated to be paid and if there had not been sufficient funds in the ERA, the GF would have to backfill the deficiency. Given the current financial situation, backfilling from the GF would be nearly impossible or would put public safety, education, and funding for other items at risk. The bill was meant to impinge on the ability of future legislatures to make appropriations as minimal as possible.

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Co-Chair Foster asked to hear from Legislative Legal Services and the Alaska Permanent Fund Corporation (APFC).

Vice-Chair Gara asked about language that had been in the previous bill version that the amount for a PFD "shall" be provided. He asked Legislative Legal Services for comment.

DOUG GARDNER, DIRECTOR, LEGISLATIVE LEGAL SERVICES, referenced the question pertaining to "may" versus "shall" language in the bill. He detailed the concern was using the word "shall" would mean the PFD would be paid first - ahead of education, public safety, and other important services the legislature was constitutionally responsible to fund. He cited the case *Bess v. Ulmer* [1999] to highlight the concern. He detailed that the constitution could be amended through the process contemplated by HJR 23. He referenced a memorandum he had authored and addressed to Co-Chair Seaton dated March 11, 2018 regarding proposed constitutional amendments to the Permanent Fund (copy on file). He read four factors identified by the court: "(1) the proposal is simple to express and understand; (2) is complete within itself; (3) relates to only one subject; and (4) substantially affects only one section of the constitution." He believed use of the word "shall" made the fourth factor more complicated.

Mr. Gardener continued that the court had also suggested if a fundamental power of one of the branches of state government was significantly altered, it could result in

the type of sweeping change that was not permitted to be accomplished in an amendment to the state constitution. He elaborated that the court had determined that if the legislature reweighed how it prioritized expenditures, there needed to be a constitutional convention. He explained that trying to predict what the court may do in a revision amendment case (there was only one case: Bess v. Ulmer) with a unique provision like the Permanent Fund was very difficult.

Mr. Gardner believed there was a substantial risk that using the word "shall" would result in a possible reversal of the resolution or a ruling that it violated Bess v. Ulmer before getting on the ballot. In response to the concern, the current bill had been drafted to try to balance the throttle on the most the legislature could do with the least amount of risk of a bad result in the supreme court. Therefore, the decision had been made to replace "shall" with "may" in the current bill draft. The likelihood of a reversal of the bill was much more elevated with the use of the word "shall." The language meant the legislature did not appropriate, the governor could not veto, and the legislature could not override the veto. All the mechanisms and plumbing in the constitution established by its framers for one of the most substantial legislative powers and corollary powers of the governor were eliminated with use of the word "shall." The state had a strong executive and there was a commitment to the appropriation process.

Vice-Chair Gara referenced Mr. Gardner's statement that Vice-Chair Gara had suggested something to him. He clarified that he had not brought the bill draft to Mr. Gardner.

Mr. Gardner agreed and noted that Vice-Chair Gara had grilled him over the phone earlier in the day.

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Representative Wilson spoke about ensuring residents received their PFDs and surmised the using the word "shall" would override the legislative process and the governor's veto powers. She thought it would read that the PFD shall be paid, not may be paid.

Mr. Gardner answered that use of the word shall could mean a litigation result and none of the resolution would go forward.

Representative Wilson had received the questions about ensuring residents would receive the dividend. She asked for verification that use of the word shall was the only way to ensure the dividend could not be vetoed by the governor or the legislature could choose not to fund it. She was asked frequently whether a constitutional amendment would ensure residents would receive a dividend. She believed that was the difference between using shall versus may.

Mr. Gardner assumed she was trying to respond to a constituent concern where they wanted a guarantee they would receive a PFD.

Representative Wilson agreed and asked if the objective could be accomplished by the constitutional amendment.

Mr. Gardner agreed the objective could be accomplished by using the word shall, but the legislature would take on high risk that litigation would be triggered. The word shall could be included and passed, but he believed the likelihood of litigation was high. He did not want anyone to walk away with the idea there was a yes or no answer. Shall could be used and the legislature would find out from the court how *Bess v. Ulmer* would play out in the context of the PFD.

Representative Wilson referenced the bill provision that would require a three-quarter vote [by the legislature] to draw over 4.75 percent POMV [from the ERA]. She asked if the language had to be included in the constitutional amendment. She wondered if excluding the language would mean a draw cap of 4.75 percent.

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Mr. Gardner answered that if subsection (e) was removed from the bill, the current laws would apply and the legislature would have the ability to appropriate from the ERA with a simple majority vote (21/11). The legal effect of the provision was more like a Constitutional Budget Reserve (CBR) vote to make additional expenditures from the

ERA. He explained that without the language the legislature could spend from the ERA with a majority vote.

Representative Wilson asked whether the legislature would have to change subsection (e) to specify the cap if it wanted to ensure that no more than 4.75 percent could be taken.

Mr. Gardner answered that by specifying a 4.75 percent POMV transfer for the purposes designated in the bill, if the rest of the ERA was not available for appropriation, it would almost seem tantamount to rolling it into the principal of the fund. He was not certain he understood the question.

Representative Wilson spoke about a scenario where the resolution went on the ballot. She asked if the legislature would have to put something in the constitutional amendment to ensure no more than the 4.75 percent POMV draw could be taken [from the ERA]. Alternatively, she wondered if it would only require a statutory change. She observed that subsection (e) allowed drawing more than the 4.75 percent POMV.

Mr. Gardner answered that a 21 vote [simple majority vote in the House] was currently required to access an ERA draw. He agreed that the majority vote issue needed to be addressed in the bill. He explained Representative Wilson would need to suggest amendment language to Legislative Legal Services. He explained it would have the effect of fencing off the remaining amount.

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Representative Kawasaki spoke to the Bess v. Ulmer issue and the permanency of the PFD. He understood that the word "may" complicated the issue for some. He asked if there would be a legal challenge if the bill passed and became constitutional and a future legislature did not pay out a PFD.

Mr. Gardner suspected so.

Representative Kawasaki asked whether including language in the bill communicating the legislature's intent [to pay out PFDs] was sufficient assurance.

Mr. Gardner imagined that including the PFD in the constitution would be a fairly heavy burden for the legislature to disregard. He believed that with the term "may" the court would uphold the legislative power of appropriations. For example, if the Valdez marine terminal was destroyed by a tsunami and the legislature was faced with expenditures it had to balance with the PFD, he believed the legislature would have that ability. He believed that was what the court would say, but the answer was not known with 100 percent certainty. He believed the bill language gave some assurance to PFD recipients, but it ultimately left the burden with the legislature to make an appropriation. Additionally, it left a burden with the governor to veto or not veto the line item. He could see there was a desire to come to a high level of certainty. Unless the committee wanted to put "shall" in and roll the dice with the supreme court, he believed the bill was the closest they would get to a safe path forward. He did not believe many guarantees in life and it would be difficult to put it in the constitution without a convention.

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Representative Guttenberg remarked that the bill included the word "may" pertaining to the PFD. He detailed that the legislature was constitutionally mandated to provide funds for education, university, public safety, and economic development. He asked why the use of the word shall would prioritize the PFD over the other items. He wondered why the items originally in the constitution would not have priority over the proposed amendment.

Mr. Gardner answered that the other model of the use of the word "shall" would require the payment. Meaning the transfer of funds would occur based on whatever percentages were decided upon. He assumed that without an appropriation the funds would go straight to the dividend fund to be put into checks. Under the current bill the funds would go to the GF for appropriation and ultimately was susceptible to being balanced out with the other fundamental constitutional responsibilities of the legislature. He explained the change [to the word "may"] was an effort to save the bill from a constitutional challenge.

Representative Guttenberg surmised that the change meant the legislature was delineating the PFD as a specific program that would be paid out (at 33 percent) if the bill

used the word shall. He remarked that the constitution required the legislature to fund university and public safety. He referenced first in/first out and asked what the constitution mandated the legislature to do. He listed items the legislature was required to fund including the general welfare of the people, university, K-12 education, public safety, prisons, and economic development. He stated that Mr. Gardner was saying if the word "may" was used it would be a legislative process.

Representative Guttenberg remarked that for 35 years the legislature had done the right thing. He observed it was hitting a wall at present that was changing how it had to act. He continued that the committee was now discussing changing the method to pay out the PFD. In the context of the constitution, if the bill used the word "shall," the constitution would still specify that the legislature was required to provide funds for the other items as well. He remarked on the last [most recent] thing being done having the highest priority. He asked if that was the case.

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Mr. Gardner answered that one thing would not be like the others. He explained that the constitution required there shall be education and public safety. He detailed that the legislature spent long nights trying to determine how to fund those items based on input from the public. Whereas the bill would designate 4.75 percent of a known number and 33 percent of a known number "with a shall." It would no longer be like the other items listed by Representative Guttenberg; it would be an automatic transfer as he understood it. The other items the constitution required the legislature to fund would still be mandated, but the constitution did not specify education would be funded with 4.75 percent of the Permanent Fund multiplied by 33 percent with the use of the words "shall transfer." The constitution designated that there shall be given programs, but not how much money shall be designated.

Representative Guttenberg stated it got to dialogue down the road. He commented that there had only been one relevant legal case (Bess v. Ulmer) regarding the issue. He stated he would have to think more about the issue.

Vice-Chair Gara communicated that he was not cheerleading for one bill version or another. He understood Mr. Gardner

believed it was likely someone would litigate if the word "shall" was used in the bill. He asked if the bill was likely to be upheld by the courts if it passed with the word "shall" included. He did not care whether someone would sue, but whether it would be upheld by the courts. He stated there was some concern that those who wanted to put the burden of a fiscal plan to heavily on the Permanent Fund would jeopardize the PFD. He reiterated his question about using the word shall.

Mr. Gardner replied that Legislative Legal Services may have to defend the legislature on the issue. He thought the odds of winning a case were not high. He used a scale of 1 to 10 and rated the use of the word "may" as a 2 and the use of the word "shall" as a 9. He did not know what a 10 would be in terms of the likelihood of a problem with the supreme court. For the reasons he had listed, the word "shall" would alter many of the pieces.

Vice-Chair Gara thanked Mr. Gardner and stated what a court would do was the key issue for him.

Mr. Gardner relayed he would be available by phone.

Co-Chair Foster referenced a letter provided by Angela Rodell, director, APFC dated March 12, 2018 (copy on file).

ANGELA RODELL, EXECUTIVE DIRECTOR, ALASKA PERMANENT FUND CORPORATION, relayed that she had provided written testimony to the committee, but did not plan on reading it. She shared that APFC board had been supportive of a POMV since it passed a resolution in 2000. The board did not weigh in on how the draw was spent or what it was used for, but rather creating a rule around how the fund mechanics would work. The board had identified five important criteria for a constitutional limit:

1. Annual limit on appropriations from the Fund of up to five percent of the total market value of the fund, averaged over a period of five years;
2. Use of a five year period to provide certainty about the amount available for distribution before the fiscal year commenced;
3. Income of the Fund would become a part of the Fund and would not be subject to separate appropriation, other than as a part of the annual distribution;

4. Current value of the earnings reserve account would be rolled into the principal of the Fund; and
5. The distinction between principal and earnings would be eliminated.

Ms. Rodell stated there had been numerous proposals for statutory changes to rules over the past few years that for the board had different thresholds than a constitutional amendment. She noted that in theory it was easier to amend statute than the constitution. She relayed that APFC did not support the current version of HJR 23.

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Representative Wilson thanked Ms. Rodell for her testimony. She asked how APFC would react to subsection (e) where at any time more money could be taken out [of the ERA] with a three-quarter vote [by the legislature]. She asked if it would impact how the fund was invested.

Ms. Rodell answered that it would have an effect. She explained APFC was trying to avoid ad hoc draws of any amount in any year. She explained that it would require adjustment to how the fund was invested. The fact that the ERA was kept separate from the fund principal meant that the amount could be drawn in it's entirety at any time with a three-quarter vote. She detailed that APFC had to assume that the money would be drawn; therefore, it would have to be invested differently. Even though the language read the fund would be invested the same, it would be contradictory for the board of trustees as fiduciaries to protect the money on deposit that was expected to use. She elaborated it would provide a level of instability APFC was looking to avoid. A constitutional amendment would introduce the instability in perpetuity.

Representative Wilson asked if there would be a decrease in revenue from the fund.

Ms. Rodell believed there would have to be a decrease - it would have to look similar to the CBR.

Representative Wilson asked about coming up with the 4.75 percent POMV. She asked about the method that would be used to determine the figure. She wondered if the amount would be determined by looking at the Permanent Fund corpus and

the ERA on one day in time. She queried who would select the given day.

Ms. Rodell answered that APFC would assume there would be conforming statutory changes that would put some of the mechanisms in place to enact how the resolution would go forward. Traditionally June 30 of a fiscal year was the "mark" date. She detailed June 30 was the date APFC marked its comprehensive annual financial report and it was the end of the state's fiscal year. The corporation would expect June 30 to be the valuation date of the fund (similar to current process) - on that date they would look at the balances of the fund in total (principal and ERA) on each of the June 30th dates for the past five years, do an average valuation, and draw 4.75 percent.

Representative Wilson referenced read from a change in current language on page 1 [lines 10 through 12] of the bill:

The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited into the earnings reserve account as soon as it is received...

Representative Wilson was uncertain about the meaning. She asked whether APFC considered [income] as realized earnings. She asked if it was the current methodology.

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Ms. Rodell answered that the corporation had struggled with the sentence when preparing for the meeting. The way the bill was drafted would require the definition of statutory net income in statute, which was only realized income. Under the bill it would be difficult to move away from statutory net income to transfer income to the ERA immediately. She explained APFC would have to work with counsel regarding moving unrealized gains, which would be in contradiction to earlier legal opinions the corporation had received; however, the constitutional language would be new. She relayed that it would require a new opinion from the attorney general's office.

Representative Wilson asked how realized and unrealized gains would impact the Permanent Fund corpus.

Ms. Rodell answered that the corpus of the fund at present would be reduced by \$8.7 billion immediately because all the unrealized gain would have to be immediately moved over to the ERA.

Representative Ortiz asked if hardening the ad hoc draw to 5 or 6 percent would impact the decision of the APFC board.

Ms. Rodell answered that predictability provided by the legislature made the job of the board of trustees and its investment decisions straight forward, whereas unpredictability made the board's job difficult.

Representative Ortiz asked whether the only way to create true predictability would be to change the fund over to an endowment model and eliminate the difference between the ERA and the fund corpus.

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Ms. Rodell answered in the affirmative.

Representative Thompson asked what kind of effect no inflation proofing in the last few years had on the fund principal.

Ms. Rodell answered that the amount of inflation proofing that had not gone into the fund's principal was about \$1.9 billion (not including the proposal for FY 19). The money was still residing in the ERA and should be moved to the principal of the fund. She explained the \$40 billion that would be left behind if all the unrealized gain was transferred, would be closer to \$42 billion.

Representative Thompson pointed to slide 2 in the presentation that showed inflation proofing with a majority vote. He noted that HJR 23 did not address inflation proofing. He asked for Ms. Rodell's opinion on the matter.

Ms. Rodell answered that one of the reasons the corporation did not support the current bill was the absence of inflation proofing and because it only contained language allowing the legislature to make an appropriation to the principal at any time.

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Vice-Chair Gara had no interest in passing something for show or that the voters would reject. One of the things the board was asking for was to go into the principal, which he believed the public would reject. He stated that the board supported creating one fund of earnings and principal and in down years the principal could go down and a dividend or government services could still be paid. He asked for verification that it was one of the board's recommendations.

Ms. Rodell answered in the affirmative, but in the context of rolling the balance of the ERA into the principal. She explained that they would start off with a \$65 billion fund, not a \$40 billion fund. There would be a draw limit of 5 percent and whether it was used for dividends or any other allowable purchase, was up to statute and the appropriation powers granted to the legislature by the constitution. She explained that the money would be invested and the legislature could spend up to 5 percent per the board of trustees' request.

Vice-Chair Gara understood Ms. Rodell's perspective as a fund manager. He believed the public would be strongly opposed to the idea. He stated that one of the board's recommendations was to combine the ERA and the principal of the fund. He continued that in a bad stock market year where the fund went from \$65 [billion] to \$55 [billion] there would still be a payout from principal. He explained it was his concern politically.

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Ms. Rodell answered that it was the reason for smoothing of over five of the past six years because the lower year would feed into whatever the calculation was (e.g. the 5 percent, 4.75 percent, 5.25 percent). Whatever the percentage was would take the dropped years into account and the concept of principal and earnings went away. There would be one fund/endowment that would be creating wealth and a portion would be used. Presumably earnings and expenditures would average out. She elaborated there would be years where they under drew, as with the current year. She explained that the value of the fund had increased tremendously over the past year and the calculation would not include that value. She expounded that the fund had increased from \$59 billion to \$64.5 billion, which was not taken into account. She detailed it was the reason the

effective draw rate was less than the 5 percent. As the fund declined, there may be an over draw in some years, but it would average out over the long-term. The idea of principal would go away completely because everything the fund was earning (royalty or investment earnings) would all go to the same place. The fund would work as an endowment.

Vice-Chair Gara understood Ms. Rodell was seeking wise management of the fund. He was not happy that a fiscal plan had not been established. Currently the state was almost out of savings and some legislators believed it would be necessary to begin drawing money from the ERA (with no designated draw formula). He stated it represented the status quo. He remarked that the Senate had been clear about that in a press conference. He did not see significant savings elsewhere since the CBR had nearly been depleted. The proposed constitutional amendment included a formula and a three-quarter vote to draw anything exceeding the formula, which he believed appeared to be more protective than current law. He asked if and why APFC's investment decisions would go the other way if HJR 23 passed.

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Ms. Rodell believed the reasoning was based on what had taken place with the CBR and the three-quarter votes. She elaborated that HJR 23 appeared to be a nice fiscal constraint on the fund, but it actually would end up being the opposite because of the mechanics and what was needed. She explained that the three-quarter votes did happen, and it was not the limiter that people intended to be when put in place.

Vice-Chair Gara asked if the three-quarter language was not included in the bill. He spoke about the status quo that would allow the legislature to take as much from the ERA as it wanted. He asked if APFC would invest differently under the bill's 4.75 percent draw limit versus the status quo.

Ms. Rodell communicated the need for clarification. She wondered if the majority vote statute would still apply if the ERA was created as a separate account (as under the first section of HJR 23). Alternatively, she wondered if the 4.75 percent would become the draw limit. She would need clarification from Mr. Gardner because the distinction would make a difference. She continued that if all that

could come out of the fund was 4.75 percent, APFC would not have to alter its investment strategy. Whereas, the possibility of accessing the ERA for ad hoc draws with a simple majority or a three-quarter [super majority] vote introduced uncertainty and unpredictability, which would cause APFC to alter or rethink how the fund was invested.

Vice-Chair Gara spoke to a scenario where the draw limit was 4.75 percent and a majority vote (instead of status quo) allowed the legislature to draw anything it wanted. He wondered how APFC would invest under the status quo compared to HJR 23 with no three-quarter vote.

Ms. Rodell answered that if the amount available for distribution from the Permanent Fund equaled 4.75 percent of the average market value of the Permanent Fund including the ERA (as in version T), APFC would not have to change how it invested the fund.

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Representative Grenn thanked Ms. Rodell for her work protecting the fund for current and future generations. He asked if APFC was amenable to the 4.75 percent POMV in the legislation. He noted that Ms. Rodell had communicated that a draw up to 5 percent was acceptable.

Ms. Rodell replied in the affirmative.

Representative Grenn asked for verification that the bill's use of five out of six years to provide certainty of the amount available for distribution was acceptable.

Ms. Rodell answered in the affirmative.

Representative Grenn referenced the APFC board's five criteria [reviewed earlier by Ms. Rodell]. He asked whether the board believed HJR 23 was lacking criteria 4 and 5 regarding rolling the [ERA] into the principal of the fund and eliminating the distinction [between fund principal and earnings] in terms of becoming a true endowment.

Ms. Rodell agreed.

Representative Grenn stated that an ad hoc draw could be "nine-tenths, 99 out of 100, 59 out of 60." He asked for

verification that the ad hoc draw caused concern that APFC would have to adjust investment management going forward.

Ms. Rodell answered that the ad hoc draw reduced predictability and there was no recognition of inflation proofing, only recognition that the legislature may appropriate money back to the principal.

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Representative Wilson asked for clarification. She understood APFC wanted to see the principal and the ERA combined. Her understanding of Ms. Rodell's response to an earlier question was that if there was a 4.75 percent POMV and no ad hoc draw there would be predictability. She asked whether there was no predictability unless the principal and the ERA were combined.

Ms. Rodell answered that limiting the draw to 4.75 percent created predictability. She was unsure why the legislature would not choose to roll the ERA into the principal instead of limiting itself to the ERA alone. However, as long as the legislation limited it to the ERA, the predictability increased because the legislature would never be able to exceed the amount in the ERA. She explained that the APFC board contemplated and continued to support the idea of a true endowment - one fund with a spending limit of a percent of all assets under management and no bifurcation of principal and ERA.

Representative Wilson understood and appreciated it. She referenced Vice-Chair Gara's point earlier that the public wanted to protect the corpus of the fund. She was trying to ensure she understood Ms. Rodell correctly. She stated there were two issues. The first pertained to whether the POMV was correct and she understood that the APFC board was comfortable with 4.75 percent. The second, which was a policy call, was how the 4.75 percent should be divided. She remarked that the second issue was outside the board's purview. She believed APFC was more concerned about the possibility of what could be drawn from the fund and that nothing else could happen to negatively impact predictability. She stated her understanding that creating an endowment was not as important to APFC as it was to have a consistent fund draw that could not be exceeded.

[4:14:25 PM](#)

Ms. Rodell agreed. She referenced slide 3 of the presentation and detailed that APFC wanted certainty on the "total draw" row [top row in the table]. The other three rows on the table were in the legislature's purview. She detailed that knowing and providing for the certainty of the total draw line (4.75 percent or 5 percent) was what APFC was seeking; the corporation believed the limit would protect the fund for future generations. She explained that it would mean all things being equal, if the draw was calculated at \$2,800 in FY 22, that amount would not be exceeded. She noted there was nothing to prevent the legislature from taking less, but it could not take more, which protected the long-term viability of the fund.

Representative Wilson asked how much the Permanent Fund was expected to earn to meet the numbers on slide 3.

Co-Chair Seaton replied 6.5 percent.

Representative Pruitt observed that the CS and the proposal by APFC required handling the legislative budget in different ways. He detailed that the 4.75 percent POMV set a limit and the ad hoc draw accessed by a three-quarter vote could increase the budget. He remarked that the second item created the uncertainty APFC was concerned about. He thought the APFC board was proposing the idea of becoming trust fund babies. He elaborated that out of the total fund, only a specific amount could be accessed, which would allow APFC to maintain stability. He believed it would be challenging for APFC if the legislation specified that up to a certain percentage could be drawn (e.g. 5 percent or other). He asked if the scenario would introduce the uncertainty APFC was concerned with.

Ms. Rodell disagreed. She explained that "up to" a certain amount meant APFC would know the maximum draw amount. The current draft of the resolution did not include a cap. She detailed it was the uncertainty between the 4.75 percent draw and everything in the ERA at the time [an additional draw] was debated. She elaborated that if there was only \$1 billion in the ERA, the issue may look different than it did at present with an ERA balance of \$16.5 billion. The fact that the draw could be anything [under the current legislation] was what created the uncertainty.

[4:18:25 PM](#)

Representative Pruitt understood the ad hoc draw was a concern, as well as a cap. He detailed that if the state needed additional revenue, which he acknowledged they wanted to limit, it may be prudent not to set a low number that would mean searching other places for revenue. He provided a scenario where the ERA and principal were combined, and the ad hoc draw was removed. He asked whether increasing the draw up to a certain amount such as 5.5 percent would create inflexibility for APFC in terms of investment.

Ms. Rodell replied that knowing what was expected was needed to provide certainty.

Representative Pruitt asked if a statutory mechanism to handle the issue at hand was sufficient.

Ms. Rodell replied that the board was very concerned about the lack of statutory or constitutional rules. The board preferred a constitutional amendment to provide a simple mechanism recognizing the changes to the definition of income from an accounting perspective, that the investment landscape had changed since the original passage of the amendment in 1976, and the predictability of a needed distribution. The board would support statutory rules if the legislature could get them in place. Statute could be changed each year, which was a benefit and a challenge. The absence of both had become problematic.

[4:22:09 PM](#)

Representative Pruitt addressed a scenario where the fund ERA and principal were merged, and a higher draw percentage was set to give the legislature the flexibility to move up and down based on the needs in a given year. He referenced legislation from the previous year (SB 26) that included a draw of 5.25 percent for two years and 5 percent thereafter. He asked if the 5.25 percent variability for two years would create long-term problems or be reasonable.

Ms. Rodell answered that the fund could sustain a statutory 5.25 percent for two years. However, it could not sustain a 5.25 percent draw on an ad hoc calculation year after year with nothing set in statute and no certainty on whether the percentage would increase or decrease. Formally agreeing to something in writing made the concept sustainable.

Representative Ortiz referenced slide 2 and spoke to the APFC board's concern with no certainty in the legislation's inflation proofing with a majority vote. He asked whether the APFC board would continue to oppose the legislation if the provision was maintained, but the ad hoc draw provision was removed.

Ms. Rodell answered there would still be concern. She detailed it had been a priority of the board since 1982 to protect the purchasing power of the fund's principal. The resolution continued the concept of a principal versus an ERA. The only way the principal preserved its purchasing power in that case was the inflation proofing method currently in statute and the recognition the annual appropriations needed to be made.

Representative Ortiz asked for clarification that to get the support of the APFC board the resolution should include something providing more certainty on inflation proofing.

Ms. Rodell agreed; the corporation was happy to work with committee members on the concept.

[4:26:13 PM](#)

Vice-Chair Gara made the assumption that the public would not support going into the corpus of the Permanent Fund, which was part of APFC's recommendation to combine the ERA and principal. He referenced that SB 21 [SB 26] and HJR 23 both operated in a world where APFC was trying to make the funds in the ERA last. Both bills operated in a world with \$16 billion in the ERA. He continued that HJR 23 included a 4.75 percent annual draw for a larger than before PFD and funds for public services. He spoke to a scenario where traditional inflation proofing was included (another \$1 billion). His understanding from conversation the previous year was that using a waterfall mechanism for inflation proofing was safer. He thought including annual inflation proofing on top of a 4.75 percent draw in the constitution would risk the balance of the ERA.

Ms. Rodell replied that SB 26 recognized inflation proofing; however, the calculation was based not on inflation, but on an amount four times the expected draw. She clarified that it did not have a correlation to actual inflation unlike current statute. She noted that inflation

proofing was not money spent, but money transferred into the principal and invested in kicking off additional investment income. She explained that the money came back in the form of additional earnings. The money was still generating income - the idea was to preserve the purchasing power of the principal and to ensure the balance continued to grow with the cost of services. As the legislature was passing budgets, part of the natural growth in the budget would be the cost of inflation for services. The idea was that if the Permanent Fund was going to be used as a fund source that it be allowed at the same rate as the budget because the baseline services had a natural inflationary component as well.

Vice-Chair Gara discussed that under SB 26 money would be put into the Permanent Fund principal once there was four times what was needed in the ERA. He noted there had been a slightly different bill version in the House. Alternatively, if they were only operating within the ERA and had a 4.75 percent draw and inflation of 3 percent, it seemed to be a heavy lift to preserve the ERA over the long-term.

[4:30:29 PM](#)

Ms. Rodell believed it was part of the debate over how to spend the ERA earnings - it was a policy call. She elaborated it was APFC's long-held view that it was the corporation's fiduciary responsibility to ensure the fund could keep up and was protected. When the fund was put in competition with everything else it was a difficult conversation, but the fund would not be there to pay for services in ten years if it was not cared for at present.

Vice-Chair Gara believed people were comfortable putting inflation proofing in the budget for FY 19 for those reasons.

[4:31:34 PM](#)

Co-Chair Seaton was curious about the 5 percent recommendation. It seemed the 5 percent recommendation was contingent on there being no ad hoc draws.

Ms. Rodell agreed.

Co-Chair Seaton stated there had been eight or more years of steady increases in the value of the fund. He provided a reverse scenario of eight years of decline where the fund was getting smaller annually, meaning the 5 percent draw would get increasingly larger depending on the economics of investments. He asked if the 5 percent draw was the maximum that APFC would suggest if there was no ad hoc draw. He asked if it was on the precipice or hanging in the balance. He considered that in an eight-year decline scenario the legislature would have to work on a number of different things. He asked if the 4.75 percent draw included in the bill was less risky than 5 percent over time especially if there were limited ad hoc draws. He understood the corporation wanted an endowment model and only one predetermined draw. He thought 4.75 percent made more sense than 5 percent, but he was uncertain whether APFC had addressed the issue if there were ad hoc draws.

[4:34:37 PM](#)

Ms. Rodell believed that as a constitutional amendment, the ad hoc draws would be very problematic regardless of a 4.75 or 5 percent draw. A constitutional amendment would not be undone after a certain time, unlike SB 26 that would be statutory, included a three-year lookback, and could be amended. She highlighted that the topic had not been touched in 41 years. She detailed that HJR 23 was a constitutional amendment that would take place after something had been in place for 41 years. The board of trustees had arrived at a 5 percent draw because of its 5 percent real target return. She explained that a 5 percent expenditure and the 5 percent target had resulted in a matching in trustees' minds about what was happening. She spoke to 4.75 percent versus 5 percent, which meant there would be more money remaining. The more money taken at present meant less later and vice versa. She added that the 5 percent real target return had not been changed for 40 years. The board had considered it the preceding year and was concerned about the direction of the capital markets, but no change had been made.

[4:36:38 PM](#)

Representative Wilson WITHDREW her OBJECTION to the adoption of the CS. She clarified her dislike for the bill.

There being NO further OBJECTION, Work Draft 30-LS0838\T (Martin, 3/11/18) was ADOPTED.

[4:37:35 PM](#)

AT EASE

[4:39:18 PM](#)

RECONVENED

Co-Chair Foster relayed amendments to the bill would be due by 5:00 p.m. the following day. He shared information about public testimony times.

HJR 23 was HEARD and HELD in committee for further consideration [public testimony was taken beginning at 7:00 p.m. and is included following HB 97 in the current document].

#hb97

HOUSE BILL NO. 97

"An Act repealing the insurance tax credit for gifts to the Alaska fire standards council; and providing for an effective date."

[4:40:23 PM](#)

REPRESENTATIVE STEVE THOMPSON, SPONSOR, introduced himself. He thanked the committee for hearing the bill.

MAX THOMPSON, SON, REPRESENTATIVE STEVE THOMPSON, introduced himself.

FORREST WOLFE, STAFF, REPRESENTATIVE STEVE THOMPSON, introduced himself.

Representative Thompson explained that the bill had originated from a search for indirect expenditures. He explained that the bill pertained to a tax credit that had been established in 2000 to allow insurance companies to donate to establishing the fire standards council. During the process of the bill passing through the legislature, other funding had been located and the tax credit had never been utilized. He elaborated that no one had ever donated or taken a tax credit in the 18 years since the passage of the bill. He believed it was time to remove the credit from statute. He encouraged the committee to pass the bill.

Representative Guttenberg asked if Mr. Max Thompson thought they should pass the bill.

Mr. Max Thompson replied in the affirmative.

Co-Chair Foster listed individuals available online for questions.

Co-Chair Foster OPENED and CLOSED public testimony.

[4:43:41 PM](#)

Vice-Chair Gara reviewed the zero fiscal note from the Department of Public Safety.

Co-Chair Seaton MOVED to REPORT HB 97(STA) out of committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, HB 97(STA) was REPORTED out of committee with a "do pass" recommendation and with one zero fiscal note from the Department of Public Safety.

Representative Wilson requested to hear any public testimony that may have been online for HJR 23.

Co-Chair Foster agreed; however, there were no testifiers remaining online. Public testimony would begin at 7:00 p.m.

[4:46:14 PM](#)

RECESSED

[7:03:47 PM](#)

RECONVENED

#hjr23

HOUSE JOINT RESOLUTION NO. 23

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund.

[7:03:53 PM](#)

Co-Chair Seaton relayed that Representative Guttenberg would be listening in by telephone.

^PUBLIC TESTIMONY

7:04:36 PM

Co-Chair Foster indicated a new committee substitute had been adopted, version T. He relayed that public testimony would be limited to 2 minutes. He also encouraged people to send in their written testimony.

7:05:57 PM

LORETTA JONES, SELF, WRANGELL (via teleconference), thanked the committee and various legislators for serving the public. She shared that former Governor Jay Hammond had been concerned about making changes to the Permanent Fund. She stated that the PFD was for state residents. She provided detail. She opposed using the PFD for a bail out. She encouraged a vote of the people. She stressed that the money belonged to Alaskans.

Representative Wilson asked if the testifier preferred the original version or the new version that had been adopted earlier in the meeting.

Ms. Jones responded that she just wanted the issue to go to a vote of the people. She stated the public was losing faith in the legislature.

7:09:04 PM

MICHAEL CHAMBERS, SELF, ANCHORAGE (via teleconference), spoke in favor of HJR 23. He had looked forward to the original version of the legislation because he preferred a 50/50 split. He spoke directly to the CS. He thought the most important point was the choice of the word "shall" or "may." He read from Article VIII, Section 7 of the Alaska Constitution regarding dedicated general funds. He mentioned hearing Angela Rodell being concerned about an ad hoc draw. He wondered why the ERA would be included because there was already a CBR. He stated directing a 4.75 or 5 percent draw or a lump sum to the CBR. He quoted from the Alaska Constitution a second time and reemphasized a 50/50 split.

7:13:05 PM

MICHAEL GARHART, SELF, WASILLA (via teleconference), spoke of his brother had followed the PFD for many years. He provided detail. He believed Alaskans should have been getting more money than they had been from the Permanent Fund. He opined that the split should be 50/50 rather than 33/67; he did not think the latter split was fair to Alaskans. He believed crime and politics was going hand in hand unless the legislature started doing something for the people. He thanked the committee.

[7:14:25 PM](#)

JOEL SIGMAN, SELF, WASILLA (via teleconference), spoke in favor of the issue going to a vote of the people. He shared that he was raising a family of three on \$8,500 per year. He thought the governor's reduction to the PFD equated to stealing from the people. He spoke to the high rate of homelessness and that people were losing their property because they could not afford their taxes. He stressed that the government was ripping them off. He thought it appeared the politicians were for the politicians, not the people. He did not feel the meeting was noticed properly. He also commented about moving the capital of Alaska. He suggested moving the building inside of the old Palmer Fred Meyer.

[7:17:21 PM](#)

MIKE ALEXANDER, SELF, BIG LAKE (via teleconference), spoke in opposition of a 33/67 split. He opposed HJR 23. He felt the legislature had taken money from the people. He advocated cutting the budget further. He opposed the proposed gasline. He proposed putting the issues to a vote of the people. He thought the legislature had stolen money from Alaskans. He strongly opposed HJR 23.

[7:19:35 PM](#)

MURIEL GILLETTE, SELF, BIG LAKE (via teleconference), opposed HJR 23. She remarked that two years earlier the governor had cut the PFD in half. She opposed the cut to the PFD made by the legislature the preceding year. She disagreed with the proposed split. She and her husband were retirees and would be greatly affected.

[7:21:07 PM](#)

CRIS EICHENLAUB, SELF, EAGLE RIVER (via teleconference), spoke in opposition of HJR 23. He thought the word "may" was a non-starter. He spoke against taking the dividends of the people. He thought taking people's PFD put many people on Medicaid, which was a cost to the state. He believed cuts to the PFD stifled economic growth. He supported the development of the state's natural resources to obtain sustained income. He disagreed with taking money from the people. He remarked that one day the PFD would be gone. He argued that the state would have made over \$800,000 if the legislature had inflation-proofed the fund the past couple of years. He did not believe the sky was falling. He thought the state may need to figure out how to live off lower budgets. He urged the legislature to leave the PFD alone.

RICHARD HELLER, SELF, CHUGIAK (via teleconference), had a case against the State of Alaska. He provided a personal story. He was very concerned about his case. He served in the military and had been denied the PFD while serving in Iraq. He opposed touching the dividend. He thought it was taboo to be talking about taking the people's dividend. He also mentioned all the money being spent on international travel. He encouraged generating new revenues.

[7:28:50 PM](#)

JAMES SQUYERS, SELF, RURAL DELTANA (via teleconference), spoke in opposition of HJR 23. He stated the only thing guaranteed in the resolution was a decrease in the PFD and the enshrining of a three-quarter vote to draw from the ERA. He stated the idea had proven problematic and had led to increased budgets when applied to the CBR. He did not support a reduction the PFD and thought the language "may appropriate" was indicative of nefarious intent. He mentioned other bills in the legislature and encouraged members to take up HJR 34, the companion bill to SJR 1. He did not support the passage of HJR 23.

[7:30:33 PM](#)

MIKE COONS, SELF, PALMER (via teleconference), opposed HJR 23. He spoke about his involvement with a conservative national organization. He believed making HJR 23 a committee bill was offensive to legislative members who were not supportive of the legislation. He disagreed with the 33/67 split. He stated that the current administration

and House Majority had decreased the PFD. He thought the state would be stealing the money of the people. He urged members to kill the bill. He reminded members of the upcoming election.

[7:32:35 PM](#)

HERMAN MORGAN, SELF, ANIAK (via teleconference), opposed the bill due to the 33/67 split. He argued against big government. He thought the legislature would end up taking all the money. He spoke of the boost in the economy based on the PFD. He thought SB 91 was a terrible experiment. He also thought Medicaid would bankrupt the state. He thought the legislature was potentially destroying the state. He opposed all the give-away programs. He spoke of Alaska once being a great land. He thought the state was at a crossroads. He thanked the committee for his time.

[7:36:22 PM](#)

LYNETTE CLARK, SELF, FOX (via teleconference), opposed HJR 23. She thought there should be an ERA. She read from the Alaska Constitution. She thought establishing a new account was unnecessary. She talked about the new subsections in the resolution. She spoke against the 33/67 split. She thought subsections (d) through (f) were a continuation of the theft of Alaskans' PFD. She thought the resolution needed much more work. She continued to reference portions of the Alaska Constitution. She reemphasized that she opposed HJR 23. She spoke in favor of HJR 34 and SJR 1. She was sad that Alaska had turned in to what it was presently. She thought Alaska should be living within its means.

[7:41:23 PM](#)

KURT SCHMITT, SELF, DELTA JUNCTION (via teleconference), opposed HJR 23. The PFD program had been very successful, and the Permanent Fund had been growing by leaps and bounds. He thought the three-quarter vote would lead to taking more money from the Permanent Fund. He opposed the 33/67 split. He thought the words "may" or "shall" were both unacceptable. He did not believe spending had been reduced enough. He disagreed with taking the people's money and urged a 50/50 split. He believed the net effect of the resolution would be a major reduction of the Permanent Fund.

[7:44:50 PM](#)

WILLIAM TOPEL, SELF, ANCHORAGE (via teleconference), opposed HJR 23. He shared that he had arrived in Alaska in 1966. He liked that the resolution would go to the vote of the people and he like that there was no change to the Permanent Fund. However, he did not like the 33//67 split. The preferred a 50/50 split. He also disagreed with setting the amount of the PFD. He could agree to a 5 percent POMV draw with a range to accommodate changes in market conditions. He did not agree with a three-quarter majority vote. He advocated properly inflation proofing the fund. He supported the "shall" language. He also urged a change in the governor's ability to appoint the members of the Alaska Permanent Fund Corporation. He did not support the bill as written and asked the legislature to pass SJR 1 or HJR 34.

Co-Chair Foster acknowledged Representative Justin Parish in the room.

[7:49:04 PM](#)

MARTIN STEPETIN SR, SELF, JUNEAU, opposed HJR 23 and the 33/67 split. He supported efforts to balance the budget, but he did not believe the people of Alaska would allow the legislature to use the Permanent Fund. He advocated for a balanced budget. He thought a tax would be necessary in the near future. He believed continued cuts to the budget were not sustainable. He reiterated his opposition to the resolution.

[7:51:29 PM](#)

ED MARTIN, SELF, COOPER LANDING (via teleconference), spoke in opposition of HJR 23. He relayed that 83 percent of the voters did not want the Permanent Fund used. He believed there were alternatives. He thought the answer to the problem was looking at the constitution. He advocated selling Alaska's land and developing its resources. He thought the legislature was stealing the people's money. He liked the notion of putting the issue to the vote of the people. He did not trust the government because the legislature had broken trust. He strongly opposed the resolution. He continued to advocate for additional resource development. He did not believe members had the spirit of Alaskan pioneers.

[7:55:39 PM](#)

RONALD LARKIN, SELF, FAIRBANKS (via teleconference), spoke against the legislation. He provided a history of the Permanent Fund and how it worked. He did not support cutting the PFD share from 50 to 33 percent. He stressed that the proposed resolution would make paying the PFD optional. He believed the bill demonstrated a surrender of the legislature's responsibility. He stressed that the legislature was already free to make similar statutory changes. He thanked the committee.

[7:58:50 PM](#)

RANDY GRIFFIN, SELF, FAIRBANKS (via teleconference), opposed HJR 23. He disagreed with enshrining the PFD in the constitution. He believed at the time the Permanent Fund was created there had been no discussion about paying out a dividend to residents; the funds had been for state government. He indicated that the Permanent Fund was a state asset. He thought the PFD should be issued on a merit basis, not as an income welfare payment. He stated that if the PFD was enshrined in the state constitution a state income tax would be passed. He thought the PFD should be modeled after a private company - some companies did not distribute a dividend to stock owners, while some did. He had donated his past dividends back to the General Fund. He advocated making government more efficient.

Co-Chair Foster recognized Representative Louise Stutes in the audience.

[8:02:31 PM](#)

GARVAN BUCARIA, SELF, WASILLA (via teleconference), opposed HJR 23. He thought Angela Rodell stated very clearly that there should be no ad hoc draws from the Permanent Fund, the problem with no cap to withdraws from the ERA, the need to inflation proof the fund, and to ensure the fund's stability. He stressed that stability could not be maintained by threatening to constantly change the rules APFC operated under. He thought the questions asked by the members clearly confirmed the need for a study. He disagreed with enshrining the dividend and urged members to oppose the resolution.

[8:04:55 PM](#)

WILLIAM DEATON, SELF, CORDOVA (via teleconference), opposed HJR 23. He did not believe the PFD was needed to fix the budget. He thought additional cuts were needed. He did not support funding for Planned Parenthood or the legislative lounge food service. He supported Senator Wielechowski's resolution SJR 1, which protected the PFD.

[8:06:39 PM](#)

WAYNE OZOSKY, SELF, WASILLA (via teleconference), opposed HJR 23. He agreed with the way the constitution had been drafted and believed it should stay that way. He thanked the committee.

[8:07:13 PM](#)

BILL REINER, SELF, ANCHORAGE (via teleconference), was a "no" vote on HJR 23. He thought APFC was on track with its investments. He thought it was spooky when changes occurred. He believed spending the Permanent Fund would result in a depleted fund. He did not support bonding for "everything under the sun." He thanked members for the opportunity to speak.

[8:09:53 PM](#)

BENJAMIN WILLIAMS, SELF, NORTH POLE (via teleconference), opposed HJR 23. He thought the legislature was not doing its job. He had recently retired and was dependent on the PFD.

Representative Wilson congratulated Mr. Williams on his recent retirement.

[8:11:25 PM](#)

MIKKI BARKER, SELF, FAIRBANKS (via teleconference), opposed HJR 23. She thought it was a travesty to reduce the PFD. In her line of work she had seen the effect of the previous reductions. She stressed that the PFD was significant to low-income individuals. She provided examples of goods the money was spent on. She was aware that a huge oil reserve had recently been discovered in the Beaufort Sea. She elaborated that the state would receive the money from the discovery if the bill passed. She thanked the committee.

8:13:29 PM

DAVID STRICKLAND, SELF, DELTA JUNCTION (via teleconference), spoke against HJR 23. There were several people in his small town dependent on the PFD. He shared that he lived off a limited income and depended on the PFD. He disagreed with the legislature taking additional PFD monies. He thought state spending was deplorable, wasteful, and criminal. He noted the importance of being able to pay for heating oil and electricity. He strongly opposed the resolution and thought it was terrible. He thought it was not right for the government to take more from the people.

8:16:06 PM

KAREN PERRY, SELF, CHUGIAK (via teleconference), strongly opposed HJR 23. She spoke against taking the people's money to grow government. She thought it was the legislature's job to reduce government spending. She thought taking the money from residents was the worst thing for the economy. She would only support the 50/50 split. She encouraged members to oppose taking money from the economy. She thought the legislators voting to reduce the PFD needed to be voted out of office. The voters of Alaska would be cleaning house in 2018. She reminded members of the eighth commandment.

8:18:50 PM

BONNIE LILLEY, SELF, ANCHORAGE (via teleconference), agreed with the previous speaker. She opposed HJR 23. She had been watching committee hearings and listening. She was a regular person and currently looking for employment. She opined the legislature was doing a poor job. She was shocked by the passage of a criminal justice reform bill in recent years (SB 91). She thought the legislature was not interested in the people of Alaska. She posed the question about when legislators were going to start representing the people. She urged members to vote against the legislation. She thought the PFD was important to the people.

8:22:25 PM

SALLY JOHNSON, SELF, PALMER (via teleconference), opposed HJR 23. She thought the legislature was ruining Alaska. She disagreed with the governor's natural gas pipeline project. She thought the state was stealing from its people. She

stressed the need for people to eat and buy warm clothing. She did not want a China pipeline. She urged a no vote for HJR 23. She would not be voting for anyone that voted in favor of the legislation.

[8:24:07 PM](#)

STEVEN WRIGHT, SELF, PALMER (via teleconference), opposed HJR 23. He reported that he was running for lieutenant governor. He opposed touching the PFD and stated that people did not want the POMV structure. He thought a money grab was in progress. He stated that the legislation would hurt indigenous people who needed the funds to keep up with inflation. He was a definite "no" on the resolution. He indicated that 83 percent of the people in recent years were opposed to the proposal. He agreed with the 50/50 split, which kept government in check. He underscored that the people of Alaska were not happy.

[8:26:44 PM](#)

GAIL KOZLOWSKI, SELF, WASILLA (via teleconference), opposed HJR 23. She thought the legislature wanted to get its hands on the PFD, which had been set up for the people of Alaska. She spoke of several people depending on the PFD. She spoke of a woman who paid her pharmacy bill in October after the issuance of the PFD. She stated that some people were truly dependent on the PFD and some were not. She did not believe the PFD was there for the legislature to take. She had seen a tremendous amount of spending waste in government agencies. She urged further spending cuts to Medicaid, education, and salaries. She was opposed to a change to the PFD. She urged members to consider HJR 34 or SJR 1 as an alternative.

[8:29:22 PM](#)

ED KAISER, SELF, WASILLA (via teleconference), spoke strongly against HJR 23. He stated it was a case where the government could not live within its means, so it looked for the easiest way to pick someone else's pockets. He thought additional cuts were possible. He urged members to stop growing government and taking money from the people. He reiterated his opposition to the bill.

[8:30:48 PM](#)

BERT HOUGHTALING, SELF, BIG LAKE (via teleconference), strongly opposed the resolution. He read a quote about the possible disappearance of the PFD. He thought Democrats were not telling the whole story. He mentioned SJR 1 that would protect the Permanent Fund and the PFD. He relayed the dividend amounts several years in the future if the Permanent Fund and PFDs were left alone. He advocated hearing SJR 1 and HJR 34. He thought those bills should be placed on the floor for a vote.

[8:34:24 PM](#)

WILLIAM LAMBERT, SELF, NORTH POLE (via teleconference), spoke against HJR 23. He suggested that Representative Seaton did not comply with the rules. He argued that certain members were hurting the State of Alaska. He hoped that many members would be voted out of office. He thought it was important to consider those people that were struggling to pay their fuel bills. He spoke to the right of the people to express themselves in the voting box.

Representative Wilson asked Mr. Lambert if he was in favor of a 50/50 plan. [Mr. Lambert had already disconnected.]

[8:38:22 PM](#)

MICHAEL BOLL, SELF, WASILLA (via teleconference), spoke against HJR 23. Based on the testimony he surmised Alaskans were against the resolution. He suggested members to look at additional reductions. He did not support cutting the PFD. He agreed with other testifiers. He did not believe the legislature's actions were right. He thanked the committee.

[8:40:31 PM](#)

SARAH VANCE, SELF, HOMER (via teleconference), opposed HJR 23. She encouraged members to restore the trust of the people. She opined that most Alaskans did not have confidence in their representatives. She encouraged members to consider how they could restore the public's trust. She urged members to oppose the bill.

Co-Chair Foster provided the address for written testimony.

[8:41:56 PM](#)

LIBBY DALTON, SELF, FAIRBANKS (via teleconference), spoke against HJR 23. She agreed with all the previous testifiers. Alaska currently had the highest employment rate in the country and the highest number of government employees per capita. She thought the PFD was the most equitable way to spread the royalties to the people of Alaska. She encouraged additional budget cuts. She urged members to avoid additional special sessions.

[8:43:37 PM](#)

HILDA LESTRON, SELF, SEWARD (via teleconference), testified in opposition of HJR 23. She urged members to vote against the resolution.

[8:44:27 PM](#)

ROBERT CHRISTIANSON, SELF, FAIRBANKS (via teleconference), opposed HJR 23. He moved to the state 8 years prior. He had not taken his PFD prior to 2014. He had started taking the PFD due to the poor economy. He believed the money was for the people and the government. He thought the legislation was an overreach resolution. He urged members to do their job. He spoke of running out of fuel three times in the current winter because he and his wife invested their children's PFDs for college. He thought members needed to make additional reductions to the budget. He spoke of the right to exercise his opinion in the voting box. He opposed the resolution.

[8:48:10 PM](#)

MICHAEL SHELDON, SELF, PETERSBURG (via teleconference), spoke in opposition of HJR 23. He shared that he was running for governor. He thought the legislature was breaking the law by not taking the issue to a vote by the people of Alaska. He thought the budget was overly inflated. He wanted to cut the budget by \$1 billion every year. He thought what was happening was an abomination. He strongly opposed the resolution. He would be making changes if he won the gubernatorial race in 2018. He opined that Governor Walker had not done his job. The vote of the people was necessary to make changes to the PFD.

[8:52:19 PM](#)

JIM WEIDNER, SELF, FAIRBANKS (via teleconference), spoke against the bill. He shared was a resident of Fairbanks for 45 years. He had worked with Governor Jay Hammond campaigning for the Permanent Fund and the creation of the dividend. The people voted to use some of the money from the sale of oil to create a program that would benefit everyone fairly and equally. The money was to be distributed based on the number of residents in the state. At the time there had been a question about creating a Permanent Fund for the legislature. He relayed that in the last 40 years billions of dollars from the sale of the oil wealth had poured into the legislature with little accountability. He urged members to support the concept of constitutionalizing the PFD program, as it had been done for years and years. In the state constitution it outlines that the resources of Alaska were to benefit the people. "The people" happened to be himself, his neighbor, the lady down the street who was pregnant. He urged members to look out for the future of Alaskans. He was truly disappointed to see the dividends cut. He wanted to see the dividend distributed as it always had been; one dividend check per person.

[8:56:41 PM](#)

JOE SCHLANGER, SELF, WASILLA (via teleconference), spoke against HJR 23. He mentioned Alaska being ranked number one in crime and number one in unemployment. He did not support the government taking Alaskan's PFDs. He lived under the poverty level, but he paid for his own things. He did not believe the legislature knew how to run government. He stressed that the people were hurting and legislators did not care. He urged members to stay away from the people's money.

[8:59:37 PM](#)

LESLIE DODGE, SELF, HOUSTON (via teleconference), spoke in opposition of HJR 23. She spoke of her financial troubles. She's had to say no to her children several times because of being short on money. People could not afford to live in Alaska and could not afford to leave. She strongly opposed HJR 23. She asked members to think about the children in Alaska rather than worrying about the adults. She opined that the legislature needed to live within its means.

[9:03:28 PM](#)

TOM LAKOSH, SELF, ANCHORAGE (via teleconference), spoke against HJR 23. He appreciated that the committee was considering a bill that would prevent a veto by the governor; however, he did not think the bill was enough. He spoke in favor of additional taxes in order to balance the budget. He stated that the money from the PFD circulated in the economy numerous times before going back to the government. He also advocated issuing the PFD in the form of a debit card that would have sales tax paid by Amazon or other internet retailers. He urged members to vote against the resolution.

9:07:04 PM

JOHN VANDIEST, SELF, PALMER (via teleconference), spoke against HJR 23. He advocated amending the resolution to reflect what the PFD was previously. He encouraged additional cuts and implementing additional taxes rather than touching the dividend. He would rather have a progressive income tax than a cut to the dividend. He believed the best thing the legislature could do was to protect the PFD's original formula in a constitutional amendment.

9:09:07 PM

JANET MCLAIN, SELF, PALMER (via teleconference), strongly opposed HJR 23. As a teacher at a Title I school, she saw how much the PFD mattered to the students she saw. She believed consideration of taking the PFD was irresponsible government. She spoke of how the PFD helped to provide shoes and other essential items for students. She shared that she provided shoes for some of her students in need. The PFD helped many families purchase gym shoes, backpacks, and food. She elaborated that some of her students had never been outside Mat-Su; her school provided an opportunity to travel to Whittier to get an Alaska experience. She stressed it was not possible for some of the children. She stressed that the PFD helped hard working families and stimulated the economy. She suggested that if a change had to be made that current recipients should be grandfathered into the PFD program and no new applicants would receive a dividend. She believed a cut to the PFD was irresponsible. She urged members to vote against the legislation.

Co-Chair Foster recognized Representative Geran Tarr in the committee room.

HJR 23 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting for the following day and thanked those who called to testify. He relayed that amendments to the bill were due the following day.

[9:13:31 PM](#)

Representative Wilson asked if Department of Fish and Game would be present for the next meeting.

Co-Chair Foster was getting a nod from staff that someone from the department would be in attendance.

#

ADJOURNMENT

[9:13:53 PM](#)

The meeting was adjourned at 9:13 p.m.