

HOUSE FINANCE COMMITTEE  
March 13, 2018  
1:34 p.m.

1:34:39 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:34 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

Tim Clark, Staff, Representative Bryce Edgmon; Sara Chambers, Deputy Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Representative Paul Seaton, Sponsor; Arnold Liebelt, Staff, Representative Paul Seaton; Jasmine Levemia, Self, Petersburg; Representative Andy Josephson.

PRESENT VIA TELECONFERENCE

Tom Brookover, Division Director, Department of Fish and Game; Nathan Hill, Borough Manager, Lake Peninsula Borough, King Salmon; George Pierce, Self, Kasilof; Tim Federico, Self, Anchorage; Brenda Rhodes, Self, Anchorage; Ella Lubin, Self, Sitka; Gary McDonald, Self, Anchorage; Laura

Bonner, Self, Anchorage; Liz Vazquez, Self, Anchorage; Fred Sturman, Self, Kenai.

SUMMARY

HB 267 RELEASE HUNTING/FISHING RECORDS TO MUNI

CSHB 267 (RES was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note by the Department of Fish and Game and with two previously published notes, one with a fiscal impact: FN2(CED); and one zero note: FN1(DFG).

HB 285 APPROP: MENTAL HEALTH BUDGET

HB 285 was SCHEDULED but not HEARD.

HB 286 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 286 was SCHEDULED but not HEARD.

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

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

Co-Chair Foster reviewed the agenda for the day. He intended to move HB 267 out of committee. The committee would continue to take public testimony on HJR 23 and would take up HB 285 and HB 286, if time allowed.

#hb267

HOUSE BILL NO. 267

"An Act requiring the release of certain records relating to big game hunters, guided hunts, and guided sport fishing activities to municipalities for verification of taxes payable; and providing for an effective date."

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Co-Chair Foster reported that the last time the committee heard the bill was on February 27, 2018, at which time public testimony was heard. He reported that his office had not received any amendments for the bill. He invited Mr.

Clark, aide to Speaker Edgmon, to the table. He also reviewed the list of available testifiers.

TIM CLARK, STAFF, REPRESENTATIVE BRYCE EDGMON, relayed that HB 267 gave municipalities that levy taxes on fish and game guiding activities access to records submitted to state agencies by hunting and fishing sport guides. Municipalities would use the records to cross reference such activities within their jurisdiction to verify payable taxes.

Representative Wilson asked which specific documents the bill encompassed. She was aware of the transporter activity report and some log books. She wondered what reports would be turned over by the Department of Fish and Game (DFG) to the municipalities. Mr. Clark responded that for hunting activities hunt reports submitted by guides to the Big Game Commercial Services Board within the Department of Commerce, Community and Economic Development (DCCED) would be turned over. He continued that for sport fishing activities sport fish log books from sport fishing guide operations would be released.

Representative Wilson clarified that Mr. Clark was not talking about commercial fisherman, just sport fishermen. She asked for the name of the hunt report. Mr. Clark replied that he thought the report was referred to as a hunt report. He suggested that there might be a more technical term used within DCCED. There were transporter reports, but he did not believe they had the same relevance to the needs of the municipalities.

Representative Wilson asked whether the transporter activity report would be disclosed. Mr. Clark deferred to Nathan Hill of the Lake and Peninsula Borough who was available online. It was his understanding that the hunt reports provided the needed cross-referencing tool for municipalities. Representative Wilson thought it was important to know exactly what reports would be disclosed.

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TOM BROOKOVER, DIVISION DIRECTOR, DEPARTMENT OF FISH AND GAME (via teleconference), was available for questions.

Representative Wilson had a copy of the fish guide log book and vessel registration and the 2018 salt water charter log

book and vessel registration. She asked what information would be used from these documents. She wondered how much of the information from the documents would not be necessary for the purpose of collecting taxes.

Mr. Brookover assumed each municipality would tax differently. The information requested might vary by municipality. He suspected that certain base information would be useful such as number of guides, number of fishing days, and number of clients by area. He assumed other information would vary. The Department of Fish and Game would provide different pieces of information depending on the detail needed. In some instances, the department might see very detailed requests. In other instances, the department might see much less detailed requests. The department's approach at the onset would be to provide only the information requested rather than a blanket of all of the information collected.

Representative Wilson suggested that the department would not be turning over the log books as it received them. Instead, the municipalities would have to make a written request for specific information.

Mr. Brookover suggested that initially the department would provide only the requested information rather than the log book pages in their entirety. However, the bill language would not prevent the department from turning over the information in its entirety especially for municipalities requesting a high level of detail. The department would start out providing only the information needed.

Representative Wilson suggested that it was possible, if the municipalities did not believe the information was sufficient, that log book pages in their entirety would be provided.

Mr. Brookover replied that it was his understanding that the bill would not prevent the department from supplying the log book sheets in their entirety. If a municipality requested all of the information, he believed there would be some discussion about the level of specificity. However, in the end, if the municipality requested a high level of detail, the department would tend to provide it once the municipality demonstrated the information was needed.

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Representative Pruitt thought it sounded as if a significant amount of information could be transferred to a municipality. He asked if the information transferred to a municipality could potentially be shared its assembly. He wondered if the information would become public record.

Mr. Clark responded that municipalities would be subject to the same confidentiality provisions as state officials. The municipalities he spoke with had very strict chain of custody systems in place in their operations. He also pointed out that a municipal official would be subject to criminal prosecution if they were to breach confidentiality according to existing state law.

Representative Pruitt relayed that initially when there were conversations about the gasline, legislators had to sign a non-disclosure agreement (NDA) in order to participate. If they breached the agreement, they would be in trouble. He wondered how information would not be leaked out by municipal officials.

Mr. Clark deferred to Nathan Hill to answer the question. His understanding was that there would not be a circumstance where a borough assembly member would need to be privy to the information. It would be dealt with by the municipal's financial advisor responsible for collecting taxes. He was aware of a lock and key system at the Lake and Peninsula Borough. He encouraged Mr. Hill to elaborate.

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NATHAN HILL, BOROUGH MANAGER, LAKE PENINSULA BOROUGH, KING SALMON (via teleconference), did not have much to add to Mr. Clark's response. The finance department took care of the hunt reporting records. He would be subject to prosecution if he relayed confidential information.

Representative Pruitt asked why additional information would be needed. He indicated hunt dates and locations were the main pieces of information needed. Mr. Hill replied that he was unsure. The information the Lake and Peninsula Borough was interested in was contained in the hunt guide reports, specifically the number of days hunted, the dates hunted, and the locations hunted.

Representative Pruitt asked if basic information could be provided without releasing other information and suggested a summary of information. He wondered if there was a necessity to send all of the information that the bill allowed. Mr. Hill relayed that the borough needed the location, the area, the number of guests, the number of guides, the number of days, and the dates of the hunt.

Representative Wilson asked if there was someone from the big game commercial board. Mr. Brookover relayed the he was from the Division of Sport Fish at DGF.

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself.

Representative Wilson asked about camping information on the state's form. Ms. Chambers responded that the hunt report did not require the places where hunters made camp. The location of where the game was taken was required. The department would be working with municipalities regarding the needed information.

Representative Wilson asked if the intent of DCCED was not to send the actual hunt record, but rather just the requested information. She wondered if municipalities would be asking for the transporter activity report.

Ms. Chambers responded that her understanding of the way the bill was written was that hunt records and transporter activity reports could be made available to municipalities. However, she thought the municipalities would be requesting the records verifying taxes payable. The department would only be obliged to provide information relevant to taxes. The department's fiscal note and intent was to create a report that could be generated from its licensing database to provide municipalities with the information needed. The information might need to be customized somewhat depending on a municipalities request for information. The goal of the department was to provide the municipalities with everything they needed but only what they needed.

Representative Wilson had heard concerns about people not completing the sport fishing reports because the information might be used for something other than DFG. She wondered if Mr. Brookover shared that concern.

Mr. Brookover responded that the purpose of the log book was for managing the sport fishery, a very different purpose than helping municipalities to verify tax records. The department had questions and possible concerns about using the information for a different purpose which could lead to different levels in reporting or changes in reporting. The data was used by area managers to gage effort, catch, and harvest of various species from year-to-year. The department also used the information to provide comments and analysis to the Board of Fisheries regarding board proposals affecting sport fishing and guided sport fishing. The department had concerns about guides reporting differently or not reporting because of their data being used differently and potentially impacting their operations. He opined that the department needed the guides to support the program by providing good information. He was uncertain whether the quality of data would change as a result of the legislation. He relayed the importance of guide reporting and licensing.

Representative Wilson was concerned and had not put an amendment forward. She was sympathetic to the needs of municipalities. However, she was particularly concerned with interfering with the management of Alaska's fisheries.

Mr. Clark mentioned there were several letters of support from several fishing guide operations. He also noted that municipalities were asking for a modest tax of \$3 per day per person. He did not believe guides would jeopardize their license.

Vice-Chair Gara did not have a concern with the bill.

Mr. Hill agreed with what was being voiced about members' concerns. The borough was not seeking more information than needed.

Representative Guttenberg thought the issues of security and confidentiality were consistent with the departments' and the municipalities'. He thought that any business that would change their behavior because of the release of information would highlight a larger problem.

Co-Chair Foster asked Vice-Chair Gara to review the fiscal notes.

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Vice-Chair Gara reported that HB 267 had 3 fiscal notes. There was a zero fiscal note from the Department of Fish and Game with an appropriation of wildlife conservation. The fiscal note had an allocation of wildlife conservation and an Office of Management and Budget (OMB) component number of 473. The second fiscal note was by the Department of Commerce, Community and Economic Development with an appropriation and allocation of corporations, businesses, and professional licensing. The OMB component number was 2360 and had a one-time expenditure of \$7,700 in receipt services for regulations drafting and minor information technology needs. The third fiscal note by the Department of Fish and Game had an appropriation and allocation of sport fisheries with an OMB component number of 464. The fiscal note reflected a one-time expenditure of \$9,100 for personal services in FY 19. He relayed that \$6,100 would come from the general fund, and \$3,000 would come from program receipts to process and tabulate information for municipalities.

Representative Kawasaki had a question about the fiscal note with component number 464. It noted \$3,000 would come from receipts received by 3 municipalities - about \$1,00 each. He did not understand the expense to the state of \$6,100.

Mr. Brookover responded that the amount would pay for initial set-up costs for the log book program and the associated database. It would provide the ability for the department to respond to requests from municipalities based on area. For example, there were certain geographic areas delineated in the reporting processes in which businesses and guides reported. A number of them spanned municipal boundaries. The department would have to do some initial work to identify municipal boundaries in DFG's database, then associate reporting areas with different municipalities. There would likely be other modifications to the database similar to his example. Also, the department might have to make changes to the log book. An example would be adding a check box on pages to identify the municipality in which a guide operated for a reporting day. The department estimated that it would take one employee two weeks to implement changes that would enable the department to field requests from municipalities.

Representative Wilson asked about game areas. She asked about a similar cost within the Department of Commerce, Community and Economic Development. Ms. Chambers responded that that DCCED's fiscal note reflected about \$5,000 for information technology upgrades and changes. The department expected to face the same challenges as DFG.

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Co-Chair Seaton MOVED to report Committee Substitute for HB 267 (RES) out of Committee with individual recommendations and the accompanying fiscal notes.

Representative Wilson OBJECTED.

Representative Wilson elaborated that she thought the state would be providing unnecessary information to be able to take care of the concerns of municipalities. She believed both departments could provide the necessary information without providing copies of log books. She was more concerned about other negative impacts of the bill including a change in reporting or a lack of reporting.

Representative Wilson WITHDREW her OBJECTION.

Co-Chair Seaton OBJECTED for discussion. He understood that normally there would be a report. However, if there was a discrepancy in a guide's report, municipalities might need to see the actual reports that were submitted. He thought that both departments had indicated they would be making changes to their computer systems to generate reports. He presumed that the only request for individual log book entries would be if a discrepancy was found.

Representative Wilson asked if an investigation would be requested by the municipalities, Boroughs, or DFG. She wondered about a borough's authority if an investigation was deemed necessary.

Co-Chair Seaton suggested that if a discrepancy was found, the original report might need to be examined. He thought a municipality would take up a discrepancy with DCCED or DFG on a case-by-case basis. He assumed that if guides were aware that reports were going from DFG or DCCED to a municipality, they would submit the same numbers to a municipality. He provided some additional details.

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Representative Wilson asked what would happen when the log books went away. It was her understanding that the log books would sunset. Mr. Clark responded that she was correct. If the sports fish program went away, the information would no longer be available. However, hunting records would continue to be available.

Representative Tilton asked if the borough would be able to request a log book page. She asked about a discrepancy between the agency and the borough. She wondered if an agency would have to provide the information. Mr. Clark understood, that when the borough was provided the information from DFG, it would follow-up with a phone call to a guiding operation about their hunting activities if they had not submitted a tax filing. They would be encouraged to make good on their taxes. He reported that Lake and Peninsula Borough had about 130 registered guides that routinely carried on activities within the borough's jurisdiction. Nearly all of them were non-residents and nearly a third resided in Alaska. The state and borough resources had been commodified by the guiding businesses. The boroughs felt that a modest benefit was only fair. He continued that because many boroughs constituted many thousands of square acres and because there was access of many different means, it was impossible to keep tabs on who was coming and going. The bill provided a way of accessing information that documented who was coming and going.

Representative Tilton understood the concept. She wondered about the difference of opinion between the agency and the borough and whether the agency would have to supply the actual log book page. Mr. Clark responded in the affirmative. He noted that the borough would be required to keep the information confidential.

Co-Chair Seaton WITHDREW his OBJECTION.

There being NO OBJECTION, it was so ordered.

CSHB 267 (RES was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note by the Department of Fish and Game and with two previously published notes, one with a fiscal impact: FN2(CED); and one zero note: FN1(DFG).

[2:15:58 PM](#)

AT EASE

[2:17:08 PM](#)

RECONVENED

#hjr23

HOUSE JOINT RESOLUTION NO. 23

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

[2:17:10 PM](#)

Co-chair foster indicated the committee would be hearing public testimony on HJR 23. He reminded testifiers that testimony was limited to 2 minutes. He gave the bill sponsor the opportunity to make comments before opening up public testimony.

REPRESENTATIVE PAUL SEATON, SPONSOR, relayed that in the previous public testimony hearing there was some misinformation. He noted there was a fact sheet that had been distributed to all of the Legislative Information Office. He read the fact sheet:

The Permanent Fund includes two portions - the Principal and the Earnings Reserve Account (ERA). Once money is deposited into the Principal, it cannot be appropriated out. The ERA is available for appropriation by any Legislature for any purpose at any time by simple majority vote. As of January 31, 2018, the balance of the Principal is \$49.2 billion and \$16.8 billion for the ERA for a total "value" of \$66 billion.

As it is now in law (not the constitution), the PFD is based on the average "earnings" over the past 5 years of the fund, with 50% of that amount going to the PFD. The Percent of Market Value (POMV) proposes to base the PFD on the total "value" of the fund versus the "earnings" of the fund. CS HJR 23 (otherwise referred to as the CS) proposes a POMV draw of 4.75 percent. The total draw would come from the ERA since the Principal cannot be touched. 33 percent of this draw (\$813 million) would be used for PFD and 67 percent (\$1.65 billion) for essential public services. This

would result in a PFD this October of approximately \$1,258 per qualified Alaskan.

Facts about the Permanent Fund and the CS:

- Alaskans would vote on this resolution in November if the CS passes both the House and the Senate.
- The PFD is only in law (Alaska Statute) and not in the Alaska Constitution.
- The current formula for calculating the PFD was passed in 1982.
- The Principal of the Permanent Fund cannot be spent.
- The PFD is currently paid from the ERA (and the same for the CS).
- The ERA can be used for any purpose. If the ERA goes away, so does the PFD.
- Alaskans have never voted to constitutionalize the PFD.
- Without protection, future Legislatures can appropriate the full amount of the ERA, draining the fund, and thus eliminating the PFD.
- CS HJR 23 would protect the ERA by limiting appropriations to a sustainable level of 4.75 percent annually.
- The Legislature "shall" appropriate the 4.75 percent draw to the general fund.
- The Legislature "may" appropriate 33 percent of the 4.75 percent draw to dividends, leaving 67 percent for public services.
- "Shall" implies mandated, and "may" implies subject to appropriation by the Legislature. Mandating the amount or percentage to PFD will likely trigger lawsuits.
- The total fund is estimated to earn 6.5 percent annually, so the amount for the PFD under the CS would increase over time.

Co-Chair further explained that a House Joint Resolution on a constitutional amendment had to go before the people at the first general election following a resolution passing by a two-thirds vote of the House and the Senate. It did not require any action by the governor. It would appear on a general election ballot if passed.

Co-Chair Foster reiterated that if the resolution were to pass by two-thirds of both bodies, it would go to a vote of the people.

Representative Thompson asked if the committee would only be hearing people that had not already testified. Co-Chair Foster responded affirmatively.

Co-Chair Foster OPENED Public Testimony.

^PUBLIC TESTIMONY

[2:23:30 PM](#)

GEORGE PIERCE, SELF, KASILOF (via teleconference), opposed HJR 23. He believed the resolution would change the payout forever. He thought the resolution was a raid of the Permanent Fund (PF) and the Permanent Fund Dividend (PFD). He rejected the idea of the legislature being able to spend more than the percentage. He advocated for looking out for Alaskans. He did not believe the legislature could be trusted. He urged members to avoid changing the constitution.

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TIM FEDERICO, SELF, ANCHORAGE (via teleconference), spoke in opposition of HJR 23. He thought the bill was out of sync with the people of Alaska. He wanted to see the budget cut to the bones. He spoke about the money the legislature was paid. He mentioned waste within various departments. He commented that commercial fisheries were actually subsidized by the state. He suggested saving money in the school system by having only one administrator. He thought government was out of control.

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BRENDA RHODES, SELF, ANCHORAGE (via teleconference), spoke against HJR 23. She thought the state needed to return to the original dividend formula. She urged members to return to the task of figuring out a fiscal plan. She thanked the committee.

[2:30:03 PM](#)

ELLA LUBIN, SELF, SITKA (via teleconference), spoke in favor of HJR 23. She believed that the resource wealth came from public land which all Alaskans shared and deserved to reach the benefits. She thought it was in the state's best interest to maintain the PFD so that it continued to be a benefit - sustaining Alaska and a benefit for young people. She spoke about being a lifelong Alaskan and having benefited from receiving PFD's. She noted that the PFD was a vital income source for many Alaskans. She provided a statistic by Institute of Social and Economic Research (ISER). She mentioned the importance of constitutionalizing the PFD. She referred to the PF as a "rainy day account" and that Alaska's rainy day was the present day. She thanked the committee.

Representative Ortiz asked if Ms. Lubin had participated in the recent DDF [Drama, Debate, and Forensics] competition. Ms. Lubin responded in the positive. Representative Ortiz commented that she was likely as effective as her sisters.

[2:32:10 PM](#)

GARY MCDONALD, SELF, ANCHORAGE (via teleconference), spoke against HJR 23. He thought the full dividend should be given to the people of Alaska. He thanked the committee.

[2:33:00 PM](#)

LAURA BONNER, SELF, ANCHORAGE (via teleconference), supported the concept of enshrining the PFD in the Alaska Constitution. She argued that because paying the PFD was only in statute, current or future legislatures could opt not to pay the PFD. However, she preferred the first proposed version of the bill over the work draft submitted by the House Finance Committee. She suggested the work draft could be amended to be more acceptable to Alaskans. She recommended changing the verbiage in Section 2(c) from "may" to "shall." She also recommended adding the words, "at least" or changing to a higher percentage. She hoped the resolution continued to move through the legislative process. She thanked the committee for re-opening public testimony.

Vice-Chair Gara agreed with Ms. Bonner that the word should be "shall." He thought the sponsor wanted the word "shall pay." However, the legislature received legal advice that the word "shall " could not be used in the constitution. He

also appreciated the "at least" language suggestion. Ms. Bonner had read the legal opinion and understood the possibility of constitutional issues.

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LIZ VAZQUEZ, SELF, ANCHORAGE (via teleconference), opposed HJR 1. The resolution did not protect the PFD. It would be up to the legislature to determine the amount of the dividend or whether it would be distributed at all. She provided a brief history about the fund. She relayed that the makers of the PF set up the PFD in order to ensure the people had a voice about how the fund was spent. She thought HJR 23 reflected the opposite of what the makers intended. She spoke of the current economic recession and the challenges the state faced. She thought HJR 23 would inflict greater damage by tampering with the PFD. She encouraged members to vote against the resolution.

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Vice-Chair Gara commented that the previous year's budget was lower than the last year that she had been in the legislature. He relayed that the legislature had been told by the legal department that "shall" could not be used in the constitution. The word "may" could be used. He wondered if she had a legal opinion on the issue. Ms. Vasquez was interested in seeing the legal opinion. Co-Chair Foster relayed that the opinion could be found online.

Vice-Chair Gara clarified that it was the express testimony from the lead legislative attorney. He was still looking into the issue. He thought committees were trying to find something more enforceable than what was currently in statute.

Representative Wilson asked in a constitutional amendment whether Ms. Vasquez would use the formula that had worked, or whether she would use a Percent of Market Value (POMV) giving less to Alaskans. Ms. Vasquez would have to look at some of the opinions of the economists. She thought the 4.75 percent draw was too aggressive. She noted the variable returns on the fund.

Representative Wilson asked if Ms. Vasquez would enshrine a percentage as outlined in the resolution of 66/33 or use the current calculation. Ms. Vasquez would keep the 50/50

split. She added that the POMV might work. However, the suggested percentage might be too aggressive and could potentially hurt the fund in the long run. She would have to study the historical yield.

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FRED STURMAN, SELF, KENAI (via teleconference), opposed HJR 23. He wanted to see a 50/50 split. He thought additional reductions were necessary. He recommended closing the DMV. He thought several things could be cut. He opposed taking the PFD. He spoke to having children in college. He thought additional cuts were necessary and encouraged legislators to be focusing on the important stuff.

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JASMINE LEVEMIA, SELF, PETERSBURG, spoke in support of HJR 23. She supported constitutionalizing the PFD. She wanted to see the PFD continue to support future generations.

[2:49:20 PM](#)

Co-Chair Foster CLOSED Public Testimony.

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

[2:50:04 PM](#)

AT EASE

[2:51:41 PM](#)

RECONVENED

Co-Chair Foster called the meeting back to order. He relayed that the committee would not be hearing HB 285 and HB 286. Amendments for HJR 23 were due by 5:00 p.m. in the current afternoon.

Representative Wilson emailed all finance members the written testimony she had received.

HB 285 was SCHEDULED but not HEARD.

HB 286 was SCHEDULED but not HEARD.

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ADJOURNMENT

2:52:46 PM

The meeting was adjourned at 2:52 p.m.