

SENATE FINANCE COMMITTEE

March 6, 2017

4:02 p.m.

4:02:23 PM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 4:02 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Mike Dunleavy
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Senator Bert Stedman; Bill Corbus, Self, Juneau; John Sonin, Self, Juneau.

PRESENT VIA TELECONFERENCE

David Otness, Self, Cordova; Paul Kendall, Self, Anchorage; Dennis Watson, Mayor, Craig; Michael Brantley, Self, Anchorage; Orin Seybert, Self, Anchorage; Bruce Jaffa, Self, Moose Pass; Dave Hanson, Self, Anchorage; Jerry Alderman, Self, Anchorage; Ben Mulligan, Deputy Director, Alaska Chamber, Anchorage; Mike Coons, Self, Anchorage; Marleanna Hall, Executive Director, Resource Development Council, Anchorage; Clyde Boyer, Self, Homer; Earl Lackey, Alaska Raceway Park, Mat-Su; Beth Fread, Self, Palmer; Deantha Crocket, Executive Director, Alaska Miner's Association, Anchorage; George Pierce, Self, Kasilof; David Scott, Self, Juneau; Jeanine St. John, Self, Anchorage; Michael Chambers, United for Liberty, Anchorage; Rebecca Culley, Self, Anchorage; Karen Perry, Self, Chugiak; Chris Eichenlaub, Self, Eagle River; Dayne Clark, Self, Soldotna;

Michael Garhart, Self, Wasilla; Garvan Bucaria, Self, Wasilla; Daryl Nelson, Self, Chugiak; Lesa Hollen, Self, Anchorage; Denny Kay Weathers, Self, Prince William; William Topel, Self, Anchorage; David Nees, Self, Anchorage; John Faulkner, Self, Homer; Kathie Wasserman, Executive Director, Alaska Municipal League, Juneau; Bryan Zak, Self, Homer; Tom Braun, Self, Sutton; James Squyres, Self, Rural Deltana; William Deaton, Self, Cordova; Jesse Bjorkman, Self, Nikiski; Bethany Andersen, Self, Kasilof; Michael Shower, Self, Wasilla; Andree McLeod, Self, Anchorage; Steve St. Clair, Self, Wasilla; Deborah Brollini, Self, Anchorage; William Reiner, Self, Anchorage; Pam Goode, Self, Rural Deltana.

SUMMARY

SB 21 PERMANENT FUND: INCOME; POMV; DIVIDENDS

SB 21 was HEARD and HELD in committee for further consideration.

SB 26 PERM. FUND:DEPOSITS;DIVIDEND;EARNING

SB 26 was HEARD and HELD in committee for further consideration.

SB 70 APPROP. LIMIT/BUDGET PROCESS/PERM FUND

SB 70 was HEARD and HELD in committee for further consideration.

#sb21

#sb26

#sb70

SENATE BILL NO. 21

"An Act relating to appropriations from the income of the Alaska permanent fund; relating to the calculation of permanent fund dividends; and providing for an effective date."

SENATE BILL NO. 26

"An Act relating to the Alaska Permanent Fund Corporation, the earnings of the Alaska permanent fund, and the earnings reserve account; relating to the mental health trust fund; relating to deposits

into the dividend fund; relating to the calculation of permanent fund dividends; relating to unrestricted state revenue available for appropriation; and providing for an effective date."

SENATE BILL NO. 70

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

4:04:02 PM

^PUBLIC TESTIMONY

4:04:09 PM

DAVID OTNESS, SELF, CORDOVA (via teleconference), spoke against using money from the Permanent Fund Dividend (PFD). He felt that it would negatively affect the people who depend on the money from the PFD. He stressed that there was serious government spending problems. He felt that state employment was too high, and expressed disappointment in the consideration of taking money from the PFD.

4:06:19 PM

PAUL KENDALL, SELF, ANCHORAGE (via teleconference), encouraged the committee to take their time in considering the bills. He felt that public employees could not be paid more than those in the private sector. He understood that Senator Dunleavy would introduce a plan that may be more benefit to the state. He encouraged the legislature to continue to make cuts, and eliminate public pensions. He felt that a public employee could not be paid more than one in the private sector, because then the person in the private sector may be considered an "indentured servant." He also felt that all public unions should be eliminated. He felt that public employees should be paid between \$10 and \$20 per hour, and not be provided additional compensation or benefits. He felt that the legislature should return to Anchorage and have an open discussion. He

felt that there were many events that the legislature had no control over, so the efforts of the legislature were therefore futile.

Mr. Kendall stressed that the state had nearly \$60 billion in total revenue, but the state had been divided between the bureaucrats and those that "want to be free." He hoped that the legislature would make Anchorage the "hub of Alaska", and form partnerships to resolve the state's issues.

[4:12:22 PM](#)

DENNIS WATSON, MAYOR, CRAIG (via teleconference), spoke in support of all three of the bills, but expressed his specific support for SB 21. He felt that there should also be additional cuts to state government.

[4:13:46 PM](#)

MICHAEL BRANTLEY, SELF, ANCHORAGE (via teleconference), spoke against a state income tax, but spoke in support of a sales tax in larger communities. He spoke against use of the PFD. He encouraged the committee to split the PFD into three: \$19 billion for the PFD; \$19 billion for the use to balance the state budget; pay everyone in the state a \$45,000 check.

[4:17:31 PM](#)

ORIN SEYBERT, SELF, ANCHORAGE (via teleconference), spoke in support of SB 70. He remarked that he did not know the implications of the other bills. He felt that using the earnings reserve could support the PFD. He also noted that the fund would be inflation proof, so the fund would be protected in perpetuity. He opposed any further budget cuts, and the depletion of the constitutional budget reserve (CBR). He felt that the income tax would provide a higher return. He felt that there should be a reinstatement of the school tax.

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BRUCE JAFFA, SELF, MOOSE PASS (via teleconference), testified in support of a state income tax; partial reduction of the PFD; reinstatement of the school tax; and other taxes including fuel taxes, etc. He remarked that he

has paid various types of taxes in the time that he has lived in the state. He felt that there would be difficult decisions. He felt that any short term solutions may be hasty, but he felt that using the PFD would not be a frugal decision.

[4:26:15 PM](#)

DAVE HANSON, SELF, ANCHORAGE (via teleconference), spoke in support of SB 70, with some slight modifications. He supported the bills percent of market value (POMV) endowment approach. He supported the 75 percent to general fund; 25 percent to PFD separation for the earnings reserve; and limiting the annual PFD to \$1000, which was almost equal to the average payout over 36 years. He encouraged the committee to use 5 percent instead of 5.35 percent for the annual earnings reserve draw. He felt that the spending cap should be a spending target. He encouraged the committee to modify SB 70 inflation proofing with procedures to assure the value of the permanent fund principle would not be eroded. He felt that adequate inflation proofing was a form of spending the principle, and may be unconstitutional. He felt that there should be a "claw back" of the \$75 million of the \$100 million given to the state's pipeline development corporation, because they could afford to sponsor a musher for \$55,000. He encouraged the legislature to enact the 16 cent over 2 year gasoline tax increase. He testified in support of an income tax.

[4:29:27 PM](#)

JERRY ALDERMAN, SELF, ANCHORAGE (via teleconference), spoke against additional cuts to the state budget. He testified in support of SB 70.

[4:30:20 PM](#)

BEN MULLIGAN, DEPUTY DIRECTOR, ALASKA CHAMBER, ANCHORAGE (via teleconference), spoke in support of SB 70. He felt that the bill would create a stable and predictable economy in the state. He shared that a spending cap was last considered in 2015, with a 75 percent approval rate from the members of the Alaska Chamber.

[4:31:52 PM](#)

MIKE COONS, SELF, ANCHORAGE (via teleconference), spoke against the bills. He mentioned a plan from Senator Dunleavy called, "The Fifty-Fifty Plan." He shared that ExxonMobil was investing in the Gulf Coast. He remarked that Alaska had the highest unemployment rate. He felt that the bill would "steal" from the people.

[4:34:30 PM](#)

MARLEANNA HALL, EXECUTIVE DIRECTOR, RESOURCE DEVELOPMENT COUNCIL, ANCHORAGE (via teleconference), felt that Alaska's budget policy should concentrate first on finding efficiencies and focusing on a series of annual reductions; it must also include a framework to use the permanent fund earnings to support essential services. She spoke in support of SB 70. She felt that cautious and prudent use of the earnings from state investments would strengthen the economic viability of Alaska leading to increased private sector investment in the natural resource industries.

[4:37:07 PM](#)

BILL CORBUS, SELF, JUNEAU, spoke in support of the bills, but specifically urged support of SB 70. He felt that the bill would provide money for the principle of the permanent fund.

[4:38:52 PM](#)

CLYDE BOYER, SELF, HOMER (via teleconference), spoke in support of implementation of a state income tax. He felt that the state budget had been adequately reduced.

[4:40:55 PM](#)

EARL LACKEY, ALASKA RACEWAY PARK, MAT-SU (via teleconference), felt that there were more cuts that could be implemented into the state budget. He spoke in support of Senator Dunleavy's "Fifty-Fifty Plan." He felt that the reduced PFD made a negative impact on the economy.

[4:43:44 PM](#)

BETH FREAD, SELF, PALMER (via teleconference), spoke against an income tax and use of the PFD until the state budget was reduced to \$8.8 billion. She spoke about a bill from Senator Dunleavy.

[4:46:52 PM](#)

DEANTHA CROCKET, EXECUTIVE DIRECTOR, ALASKA MINER'S ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of immediate implementation of a long-term fiscal plan in 2017 to ensure responsible spending at a sustainable level of between \$4.1 and \$4.5 billion. She felt that the plan should include a budget reduction; the use of permanent fund earnings; and new revenue from broad-based taxes. She remarked that, in order to reduce state government expenses, the legislature should repeal laws that created expenditures that were not a necessary government function.

[4:48:36 PM](#)

GEORGE PIERCE, SELF, KASILOF (via teleconference), spoke in opposition to the bills and restructuring the PFD. He recounted that when the PF was set up, it was intended to benefit Alaskans, not to balance the budget. He mentioned population growth. He thought the bills should be called "The Destruction Act of the PFD." He discussed tourism and non-resident workers; and suggested there should be an income tax for such individuals. He thought the oil companies should be taxed. He thought that tax credits should be abolished. He did not think tax credits would contribute to future revenue.

[4:52:59 PM](#)

DAVID SCOTT, SELF, JUNEAU (via teleconference), testified in opposition to the bills and using the permanent fund. He relayed that he had worked in the oil and gas industry.

[4:54:17 PM](#)

JEANINE ST. JOHN, SELF, ANCHORAGE (via teleconference), spoke in support of SB 70. She was thrilled that former Commissioner Bill Corbus supported the bill.

[4:56:09 PM](#)

MICHAEL CHAMBERS, UNITED FOR LIBERTY, ANCHORAGE (via teleconference), spoke against reductions to the PFD. He felt that the money was taken from the private sector to the public sector.

[4:59:20 PM](#)

REBECCA CULLEY, SELF, ANCHORAGE (via teleconference), felt that families who make less than \$50,000 should not be taxed in the state. She stressed that many people living in the rural communities must receive a PFD. Those individuals could barely afford the cost of fuel. She spoke against additional budget cuts, specifically to the Department of Education and Early Development (DEED). She encouraged the committee to reduce the oil and gas tax credits, and an increase in the fuel tax.

[5:03:33 PM](#)

KAREN PERRY, SELF, CHUGIAK (via teleconference), spoke against the bills. She encouraged the committee to continue to cut the budget. She spoke against the legislature as a whole.

[5:07:49 PM](#)

CHRIS EICHENLAUB, SELF, EAGLE RIVER (via teleconference), remarked that a previous legislature had attempted to use the permanent fund to fix a budget deficit, with no success. He stressed that college age people depend on the PFD to attend school, and other people who were on the verge of homelessness because of the reduction in the PFD. He was in support of a plan offered by Senator Dunleavy.

[5:11:52 PM](#)

DAYNE CLARK, SELF, SOLDOTNA (via teleconference), spoke against the bills. He felt that the permanent fund should not be used to pay the people. He felt that the PFD program should be eliminated.

[5:16:01 PM](#)

MICHAEL GARHART, SELF, WASILLA (via teleconference), shared that his brother would often see that there was \$1 to \$3 billion missing from the revenue, and never received an explanation for that missing money. He felt that the budget should be cut, and noted that large size of government. He stressed that many people relied on the PFD, and felt that the PFD should not be adjusted.

[5:18:24 PM](#)

GARVAN BUCARIA, SELF, WASILLA (via teleconference), spoke in opposition to the bills, and any bills that would use the earnings reserve.

[5:21:53 PM](#)

DARYL NELSON, SELF, CHUGIAK (via teleconference), spoke in opposition to the bills. He encouraged the committee to create a state sales tax.

[5:26:47 PM](#)

LESA HOLLEN, SELF, ANCHORAGE (via teleconference), felt that the permanent fund was created for the people of Alaska, not for political gains and greed. She shared her personal experience related to the economy in Alaska.

[5:31:09 PM](#)

JOHN SONIN, SELF, JUNEAU, felt that subsidizing large corporations and lobbyists were the reason for the budget crisis. He spoke in support of an income tax. He spoke against reduction to the PFD, and wondered whether there could be a needs-based PFD.

[5:35:03 PM](#)

DENNY KAY WEATHERS, SELF, PRINCE WILLIAM (via teleconference), spoke against the bills. She felt that SB 70 was confusing and contained too many issues for one bill. She encouraged the committee to examine Senator Dunleavy's plan.

[5:39:30 PM](#)

WILLIAM TOPEL, SELF, ANCHORAGE (via teleconference), spoke against the bills. He spoke in support of Senator Dunleavy's bills: SB 1 and SB 2 to restore the other half of the previous year's PFD. He encouraged that committee to listen to the people of Alaska, rather than special interest groups.

[5:43:24 PM](#)

DAVID NEES, SELF, ANCHORAGE (via teleconference), testified in support of SB 70, but remarked that he did not particularly support any of the bills.

[5:45:23 PM](#)

JOHN FAULKNER, SELF, HOMER (via teleconference), spoke against SB 26 and SB 70. He felt that there should be careful consideration with all actions. He shared that there was optimism in the immediate future in the state to develop its gas resources. He stated that he was in favor of Senator Dunleavy's plan.

[5:48:44 PM](#)

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, JUNEAU (via teleconference), testified in support of the bills. She felt that the bills were a great start to fix the state's fiscal situation.

[5:50:44 PM](#)

BRYAN ZAK, SELF, HOMER (via teleconference), spoke in support of the bills. He remarked that there were elements of each of the bills that he found useful.

[5:53:47 PM](#)

TOM BRAUN, SELF, SUTTON (via teleconference), testified against the bills. He urged the committee to continue to cut the budget.

[5:55:18 PM](#)

JAMES SQUYRES, SELF, RURAL DELTANA (via teleconference), spoke in support of the plan from Senator Dunleavy. He spoke against the bills. He felt that some legislators were circumventing the will of the people in favor of big government.

[5:57:34 PM](#)

WILLIAM DEATON, SELF, CORDOVA (via teleconference), spoke against the bills. He wanted the full PFD. He spoke in support of Senator Dunleavy's plan. He remarked that there were various agencies that could see reductions.

[5:59:52 PM](#)

JESSE BJORKMAN, SELF, NIKISKI (via teleconference), supported stable plan for Alaska's fiscal future. He spoke in support of Senator Dunleavy's plan.

[6:02:21 PM](#)

BETHANY ANDERSEN, SELF, KASILOF (via teleconference), spoke against the bills. She did not feel that it was a sustainable solution.

[6:05:13 PM](#)

MICHAEL SHOWER, SELF, WASILLA (via teleconference), spoke against the bills. He spoke in support of Senator Dunleavy's plan.

[6:08:13 PM](#)

ANDREE MCLEOD, SELF, ANCHORAGE (via teleconference), testified against the bills. She spoke in support of Senator Dunleavy's bills. She noted that Governor Walker had implemented a hire and travel freeze, but there was a recent high travel compensation report. She felt that travel costs could be reduced, because of the possibility for teleconferencing. She spoke against the use of the PFD. She wondered about the purchasing of office uniforms.

Co-Chair MacKinnon replied that she had purchased her staff kuspuks.

[6:12:08 PM](#)

STEVE ST. CLAIR, SELF, WASILLA (via teleconference), opposed the bills. He felt that combining three bills into two hours of testimony was "disingenuous." He felt that there was not adequate time for public testimony. He spoke in support of Senator Dunleavy's plan.

[6:16:05 PM](#)

DEBORAH BROLLINI, SELF, ANCHORAGE (via teleconference), spoke against the bills. She shared a personal story. She urged more cuts to the operating budget.

[6:18:46 PM](#)

WILLIAM REINER, SELF, ANCHORAGE (via teleconference), testified against the bills. He felt that the models were created for a different system.

[6:22:05 PM](#)

PAM GOODE, SELF, RURAL DELTANA (via teleconference), spoke against the bills. She felt that there would be an inappropriate relationship between the government and the permanent fund corporation. She felt that there was too much trust between the people and the government.

Co-Chair MacKinnon CLOSED public testimony.

[6:25:31 PM](#)

AT EASE

[6:25:59 PM](#)

RECONVENED

Co-Chair MacKinnon discussed the following day's agenda.

SB 21 was HEARD and HELD in committee for further consideration.

SB 26 was HEARD and HELD in committee for further consideration.

SB 70 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[6:26:46 PM](#)

The meeting was adjourned at 6:26 p.m.