

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

February 21, 2017

4:31 p.m.

MEMBERS PRESENT

Senator Mike Dunleavy, Chair
Senator David Wilson
Senator Cathy Giessel
Senator John Coghill
Senator Dennis Egan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE RESOLUTION NO. 3
Proclaiming February 2017 as Black History Month.

- MOVED SR 3 OUT OF COMMITTEE

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."

- HEARD & HELD

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."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SR 3

SHORT TITLE: FEBRUARY 2017: BLACK HISTORY MONTH

SPONSOR(s): SENATOR(s) BEGICH

02/01/17 (S) READ THE FIRST TIME - REFERRALS
02/01/17 (S) EDC, STA
02/15/17 (S) EDC RPT 4DP
02/15/17 (S) DP: HUGHES, BEGICH, GIESSEL, STEVENS
02/15/17 (S) EDC AT 8:00 AM BUTROVICH 205
02/15/17 (S) Moved SR 3 Out of Committee
02/15/17 (S) MINUTE(EDC)
02/21/17 (S) STA AT 4:30 PM BUTROVICH 205

BILL: SB 21

SHORT TITLE: PERMANENT FUND: INCOME; POMV; DIVIDENDS

SPONSOR(s): SENATOR(s) STEDMAN

01/18/17 (S) READ THE FIRST TIME - REFERRALS
01/18/17 (S) STA, FIN
02/02/17 (S) STA AT 3:30 PM BUTROVICH 205
02/02/17 (S) Heard & Held
02/02/17 (S) MINUTE(STA)
02/16/17 (S) STA AT 3:30 PM BUTROVICH 205
02/16/17 (S) Heard & Held
02/16/17 (S) MINUTE(STA)
02/21/17 (S) STA AT 4:30 PM BUTROVICH 205

BILL: SB 26

SHORT TITLE: PERM. FUND: DEPOSITS; DIVIDEND; EARNINGS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/17 (S) READ THE FIRST TIME - REFERRALS
01/18/17 (S) STA, FIN
02/07/17 (S) STA AT 3:30 PM BUTROVICH 205
02/07/17 (S) Heard & Held
02/07/17 (S) MINUTE(STA)
02/16/17 (S) STA AT 3:30 PM BUTROVICH 205
02/16/17 (S) Heard & Held
02/16/17 (S) MINUTE(STA)
02/21/17 (S) STA AT 4:30 PM BUTROVICH 205

WITNESS REGISTER

SENATOR TOM BEGICH
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SR 3.

WILLIAM DEATON, representing self and family
Cordova, Alaska

POSITION STATEMENT: Testified in opposition of SR 3, SB 21 and SB 26.

TERRENCE SHANIGAN, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

PAUL D. KENDALL, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 or SB 26.

DAVID BRIGHTON, representing self
Kenai, Alaska

POSITION STATEMENT: Testified in support of SB 21 and SB 26.

KURT SCHMIDT, representing self and family
Delta Junction, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

GEORGE PIERCE, representing self
Kasilof, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

ALEXANDER GUDSCHINSKY, representing self
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 21 and SB 26.

KAREN PERRY, representing self and family
Chugiak, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

JAMES SQUYRES, representing self
Deltana, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

PAM GOODE, representing self
Deltana, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

DIANA CHADWELL, representing self
Delta Junction, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

DAVID OTNESS, representing self
Cordova, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

MICHAEL CHAMBERS, representing United for Liberty
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

DAVID BOYLE, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

MARTIN STAPETIN, SR., representing self and family
Juneau, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

ANDREW NAVARRO, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

BRENDON HOPKINS, representing self
North Slope, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

RANDY BEILFUSS, representing self
Eagle River, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

FRED STURMAN, representing self and family
Soldotna, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

ARENZA THIGPEN, JR., representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

BETH FREAD, representing self
Palmer, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

MARTIN SPARGO, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

GARVAN BUCARIA, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

JESSE BJORKMAN, representing self

Nikiski, Alaska

POSITION STATEMENT: Testified in support of SB 21 and SB 26.

ELIJAH VERHAGEN, representing self

Juneau, Alaska

POSITION STATEMENT: Testified in support of SB 21 and in opposition of SB 26.

DORA BARR, representing self

Juneau, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

EVAN EADS, representing self

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of SB 21.

MYRANDA WALSO, representing self

Chugiak, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

ED MARTIN, representing self

Cooper Landing, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

CHRISTINE HUTCHISON, representing self

Kenai, Alaska

POSITION STATEMENT: Testified in support of SB 21 and SB 26.

HELEN ATTUNGANA, representing self and family

Delta Junction, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

PHILLIP FURBUSH, representing self

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

MICHAEL SHELDON, representing self

Petersburg, Alaska

POSITION STATEMENT: Testified in opposition of SB 21 and SB 26.

ACTION NARRATIVE

[4:31:17 PM](#)

CHAIR MIKE DUNLEAVY called the Senate State Affairs Standing Committee meeting to order at 4:31 p.m. Present at the call to

order were Senators Egan, Giessel, Wilson, Coghill, and Chair Dunleavy.

SR 3-FEBRUARY 2017: BLACK HISTORY MONTH

[4:31:47 PM](#)

CHAIR DUNLEAVY announced the consideration of SR 3.

[4:31:59 PM](#)

SENATOR TOM BEGICH, Alaska State Legislature, Juneau, Alaska, resolution sponsor, explained that Senate Resolution 3 (SR 3) simply proclaims February 2017 as Black History Month. He referenced his sponsor statement as follows:

In 1926, Dr. Carter G. Woodson established a Negro History Week to coincide with the birth week shared by President Abraham Lincoln and abolitionist leader Fredrick Douglass. In 1976, Senator Gerald R. Ford expanded February to Black History Month in honor of the nation's bicentennial. African Americans have made a tremendous contribution to building this State and ensuring it thrives. In order to honor that contribution and ensure that the history of African Americans is remembered and celebrated in this country.

While the State of Alaska has never previously passed a Resolution honoring Black History Month, this allows the Legislature to highlight the particular impact African Americans have had both on our history and will have on our future.

I respectfully request your support of Senate Resolution 3.

He set forth that the resolution is straight forward. He noted that there are a series of "whereas" clauses that describe the history of Black History Month. He said "whereas" clauses were added to speak specifically to some of the African American contributions in Alaska, starting with the Buffalo Soldiers in Dyea and Skagway during the Gold Rush, the engineers who helped build the Alaska Canada Highway (ALCAN), and then also talking generally about those African Americans who contributed in all walks of life to Alaska. He disclosed that in the Senate Education Committee that a number of people who testified publically about some of the awards the last few weeks that were

provided in Anchorage and other areas around the state honoring African Americans in Alaska.

[4:34:10 PM](#)

CHAIR DUNLEAVY opened public testimony on SR 3.

[4:34:35 PM](#)

WILLIAM DEATON, representing self and family, Cordova, Alaska, testified in opposition of SR 3. He said SR 3 is discriminatory in supporting only one race.

[4:35:59 PM](#)

CHAIR DUNLEAVY closed public testimony on SR 3.

[4:36:07 PM](#)

SENATOR GIESSEL moved to report SR 3, version 30-LS0418\D from committee with individual recommendations and attached fiscal note(s).

[4:36:18 PM](#)

CHAIR DUNLEAVY announced that hearing no objection, SR 3 moved from the Senate State Affairs Standing Committee.

[4:36:29 PM](#)

At ease.

SB 21-PERMANENT FUND: INCOME; POMV; DIVIDENDS
SB 26-PERM. FUND: DEPOSITS; DIVIDEND; EARNINGS

[4:38:10 PM](#)

CHAIR DUNLEAVY called the committee back to order, and announced the consideration of SB 21 and SB 26. He explained that SB 21 was introduced by Senator Stedman that is a percentage of market value (POMV) bill regarding the permanent fund. He detailed that SB 26 is also a POMV bill that was sponsored by the governor through the Senate Rules Committee.

He opened public testimony for SB 21 and SB 26.

[4:38:59 PM](#)

WILLIAM DEATON, representing self and family, Cordova, Alaska, testified in opposition to SB 21 and SB 26 because he and his family would like to have their full permanent fund dividend (PFD). He said he and his family support Chair Dunleavy's plan to cut the budget and not impose new taxes. He said he and his family support SB 1 and SB 2.

CHAIR DUNLEAVY pointed out that SB 1 and SB 2 are separate issues and separate bills that are no longer in committee. He specified that the committee is hearing testimony on SB 21 and SB 26.

[4:40:07 PM](#)

TERRENCE SHANIGAN, representing self, Anchorage, Alaska, testified in opposition of SB 21 and SB 26. He stated that he supported Chair Dunleavy's plan to right-size government.

[4:44:24 PM](#)

PAUL D. KENDALL, representing self, Anchorage, Alaska, testified in opposition of SB 21 or SB 26. He said there is nothing wrong with the permanent fund or dividend. He suggested that the budget be reduced to \$2 billion and a head-tax introduced.

[4:48:59 PM](#)

DAVID BRIGHTON, representing self, Kenai, Alaska, testified in support of SB 21 and SB 26. He asserted that the state needs to move forward with a balanced approach. He said he favored an income tax and did not want to see the services that he enjoyed decimated by budget cuts. He stated that he did not think it is reasonable to balance a budget on the price of oil. He set forth that he favored using the earnings reserve account to bring about the important services that Alaskans have. He asserted that this is the year to act and solve the state's problem.

[4:50:27 PM](#)

KURT SCHMIDT, representing self and family, Delta Junction, Alaska, testified in opposition of SB 21 and SB 26 because the governor and Legislature wrongly assume that the permanent fund is state money when it is the money of the people.

[4:54:18 PM](#)

GEORGE PIERCE, representing self, Kasilof, Alaska, testified in opposition of SB 21 and SB 26. He set forth that government needs to restructure, not the permanent fund dividend. He asked that there be a public vote to decide the use of the permanent fund.

[4:56:50 PM](#)

ALEXANDER GUDSCHINSKY, representing self, Fairbanks, Alaska, testified in support of SB 21 and SB 26. He suggested that 20 percent of the earnings go to the permanent fund dividend and the rest for government.

[4:58:23 PM](#)

KAREN PERRY, representing self and family, Chugiak, Alaska, testified in opposition of SB 21 and SB 26. She stated that she did not like changing the formula for calculating the permanent fund dividend. She said taking the permanent fund dividend out of local economies is detrimental to local businesses as well as pushing many more Alaskans over the poverty line. She asked that the bills be held until specific language is presented on Chair Dunleavy's budget proposals. She set forth that government must continue to cut the budget before taking the people's permanent fund dividend. She asked that there be a constitutional amendment to protect the permanent fund dividend and that the vote be put to the people.

[5:01:10 PM](#)

JAMES SQUYRES, representing self, Deltana, Alaska, testified in opposition of SB 21 and SB 26. He set forth that the bills are too extreme, not necessary, makes things too complex through restructuring, and increases risk if the percentage of market rate draws are too high or too low.

[5:04:03 PM](#)

PAM GOODE, representing self, Deltana, Alaska, testified in opposition of SB 21 and SB 26. She asserted that spending with no discipline is the problem, not revenue. She said the scope and size of government must be reduced first.

[5:05:49 PM](#)

DIANA CHADWELL, representing self, Delta Junction, Alaska, testified in opposition of SB 21 and SB 26. She asked that the legislation be put to a public vote.

[5:09:08 PM](#)

DAVID OTNESS, representing self, Cordova, Alaska, testified in opposition of SB 21 and SB 26. He said the legislation is too expedient and convenient, and covers up the tracks of very poor financial policy.

[5:12:26 PM](#)

MICHAEL CHAMBERS, representing United for Liberty, Anchorage, Alaska, testified in opposition of SB 21 and SB 26. He remarked that there has been a false flag of promotion that the government has cut the budget. He opined that the governor and Senator Stedman believe that the government economy takes priority over the private economy. He said he supported Chair Dunleavy's legislation to reduce the size of government and protect the dividend.

[5:15:02 PM](#)

DAVID BOYLE, representing self, Anchorage, Alaska, testified in opposition of SB 21 and SB 26. He asserted that the budget must be cut to a reasonable level before using the permanent fund to fund state government.

[5:19:19 PM](#)

MARTIN STAPETIN, SR., representing self and family, Juneau, Alaska, testified in opposition of SB 21 and SB 26. He said sustainability is important and supported taking money from the permanent fund; however, the permanent fund draws proposed in the two bills are too high. He added that he supported taxes to pay "our own bills" as well.

[5:22:53 PM](#)

ANDREW NAVARRO, representing self, Anchorage, Alaska, testified in opposition of SB 21 and SB 26. He said the legislation takes money from his permanent fund dividend.

[5:25:02 PM](#)

BRENDON HOPKINS, representing self, North Slope, Alaska, testified in opposition of SB 21 and SB 26. He said there is a healthy distrust of state government. He opined that the state has a revenue problem, but the bigger problem is spending.

[5:30:14 PM](#)

RANDY BEILFUSS, representing self, Eagle River, Alaska, testified in opposition of SB 21 and SB 26. He set forth that the permanent fund dividend is the people's share of Alaska's mineral wealth and has worked very well. He asserted that government spending needs to be cut and noted that Alaska spends four times the national average. He opined that the state does not need new taxes yet.

[5:31:51 PM](#)

FRED STURMAN, representing self and family, Soldotna, Alaska, testified in opposition of SB 21 and SB 26. He said government has spent too much money for the past 20 years and needs to cut spending.

[5:35:33 PM](#)

ARENZA THIGPEN, JR., representing self, Anchorage, Alaska, testified in opposition of SB 21 and SB 26. He said it is bad for legislators to take something that does not belong to them. He asserted that the state's resources are supposed to support the welfare of Alaska's residents. He set forth that the weight

of government's financial mistakes should not be put on the backs of Alaskans.

[5:38:22 PM](#)

BETH FREAD, representing self, Palmer, Alaska, testified in opposition of SB 21 and SB 26. She said to cut the budget, not raid the permanent fund's corpus, earnings reserve or dividend, and no new revenues until the budget is reduced.

[5:41:41 PM](#)

MARTIN SPARGO, representing self, Wasilla, Alaska, testified in opposition of SB 21 and SB 26. He set forth that the concept for SB 21 and SB 26 is fair, but the people should have a voice on how the permanent fund should be directed.

[5:44:32 PM](#)

GARVAN BUCARIA, representing self, Wasilla, Alaska, testified in opposition of SB 21 and SB 26. He opined that SB 21, SB 26 and HB 115 puts the Alaska Permanent Fund at risk of being politicized. He specified that the fund will not be free to invest as the market and or conditions dictate by being compelled to produce a return for the state and a dividend. He said the draws from SB 21 and SB 26 are too great and government spending should be cut.

[5:48:07 PM](#)

JESSE BJORKMAN, representing self, Nikiski, Alaska, testified in support of SB 21 and SB 26. He said Alaska needs a fiscal plan that works and is sustainable to secure the state's future. He noted that Chair Dunleavy had said in an interview that no government program has created a greater constituency than the dividend program. He pointed out that history has shown that people will vote for those that give them money. He asserted that the state needs to explore all options available with the earnings reserve account prior to levying taxes on Alaskans. He said action needs to be taken that provides sustainable budgets for schools, police, fire, mental health, and prisons. He summarized that the state cannot have a scorched-earth policy of cutting; however, certain cuts do need to be made so that Alaska has an efficient government.

[5:51:07 PM](#)

ELIJAH VERHAGEN, representing self, Juneau, Alaska, testified in support of SB 21 and in opposition of SB 26 due to its higher draw and lower dividend. He opined that spending cuts should continue to be made, but added that the state cannot cut its way to a balanced budget in 3 years. He speculated that increased

oil production will ultimately close the state's fiscal gap. He said SB 21 is not perfect and should be amended if needed.

[5:53:52 PM](#)

DORA BARR, representing self, Juneau, Alaska, testified in opposition of SB 21 and SB 26. She set forth that the permanent fund and the dividend should not be reduced. She questioned imposing a state income tax for new revenues when the people did not touch the permanent fund.

[5:56:36 PM](#)

EVAN EADS, representing self, Fairbanks, Alaska, testified in support of SB 21. He explained that he found SB 21 preferable to SB 26 with a few caveats. He specified that just a dividend approach does not take into account out-of-state workers. He suggested that an income tax be instituted that is capped for residents at the dividend. He set forth that there needs to be a marketplace of ideas to come up with a solution that can work for all Alaskans.

[6:00:06 PM](#)

At ease.

[6:13:52 PM](#)

CHAIR DUNLEAVY called the committee back to order.

[6:14:11 PM](#)

MYRANDA WALSO, representing self, Chugiak, Alaska, testified in opposition of SB 21 and SB 26. She explained that her opposition stems from the fact that the state has distribution mechanisms in place that have never been utilized. She suggested that the earnings reserve be used to determine which services are key over the next year instead of making big changes that are permanent and effect the entirety of the state for present and future generations.

[6:17:05 PM](#)

ED MARTIN, representing self, Cooper Landing, Alaska, testified in opposition of SB 21 and SB 26. He set forth that the permanent fund is not broken and asked that the Legislature find another means of revenue. He stated that changing the structure of the permanent fund or how the dividend is distributed should be decided by a vote of the people. He suggested that a land-voucher program be offered to Alaskans in lieu of the government using the earnings reserve.

[6:21:24 PM](#)

CHRISTINE HUTCHISON, representing self, Kenai, Alaska, testified in support of SB 21 and SB 26. She said she preferred to leave the permanent fund the way it is, but supported using the permanent fund if it is the only way to address the deficit. She set forth that using the permanent fund was better than an income tax and favored cutting the state budget as well.

[6:25:46 PM](#)

HELEN ATTUNGANA, representing self and family, Delta Junction, Alaska, testified in opposition of SB 21 and SB 26. She set forth that Jay Hammond set the money aside in the permanent fund to benefit future generations. She said the Legislature should reduce spending and not steal money from the people.

[6:26:29 PM](#)

CHAIR DUNLEAVY noted agendas for upcoming committee meetings.

[6:27:14 PM](#)

At ease.

[6:29:57 PM](#)

CHAIR DUNLEAVY called the committee back to order.

[6:30:24 PM](#)

At ease.

[6:31:09 PM](#)

CHAIR DUNLEAVY called the committee back to order.

[6:31:20 PM](#)

PHILLIP FURBUSH, representing self, Wasilla, Alaska, testified in opposition of SB 21 and SB 26. He set forth that using the permanent fund earnings for general spending by the state is the beginning of the end of the permanent fund corpus and pointed out the fact that the permanent fund has not been inflation proofed. He said effective and efficient spending should be done before doing anything like SB 21 and SB 26.

[6:35:20 PM](#)

MICHAEL SHELDON, representing self, Petersburg, Alaska, testified in opposition of SB 21 and SB 26. He said there should be a sustainable budget, former Governor Hammond's "50/50" plan put into effect, and government should be downsized. He added that the permanent fund dividend should be protected because the program helps people and builds Alaska's economy.

[6:37:13 PM](#)

CHAIR DUNLEAVY held SB 21 and SB 26 in committee.

6:37:46 PM

At ease.

6:38:01 PM

CHAIR DUNLEAVY called the committee back to order.

6:38:13 PM

There being no further business to come before the committee, Chair Dunleavy adjourned the Senate State Affairs Committee at 6:38 p.m.