

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

February 23, 2017

3:31 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 BILL NO. 34

"An Act relating to the implementation of the federal REAL ID Act of 2005; and relating to issuance of identification cards and driver's licenses; and providing for an effective date."

- HEARD & HELD

PRESENTATION: BRIDGING THE FISCAL GAP - MEANINGFUL REDUCTIONS & LEVERAGING SAVINGS BY SENATOR DUNLEAVY

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 34

SHORT TITLE: DRIVER'S LICENSE & ID CARDS & REAL ID ACT

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/23/17	(S)	READ THE FIRST TIME - REFERRALS
01/23/17	(S)	STA, FIN
02/23/17	(S)	STA AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

SHELDON FISHER, Commissioner
Alaska Department of Administration

Juneau, Alaska

POSITION STATEMENT: Provided an overview of SB 34.

LESLIE RIDLE, Deputy Commissioner
Alaska Department of Administration
Juneau, Alaska

POSITION STATEMENT: Addressed questions regarding SB 34.

MARLA THOMPSON, Director
Division of Motor Vehicles
Alaska Department of Administration
Anchorage, Alaska

POSITION STATEMENT: Addressed questions regarding SB 34.

JIM HARPER, Vice President
Competitive Enterprise Institute
Washington D.C.

POSITION STATEMENT: Testified in opposition to SB 34.

DANIEL GEORGE, Staff
Senator Mike Dunleavy
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented Chair Dunleavy's fiscal plan, "Bridging the Fiscal Gap."

ALEXI PAINTER, Fiscal Analyst
Alaska Division of Legislative Finance
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided analysis of the proposed fiscal plans.

ROB CARPENTER, Fiscal Analyst
Alaska Division of Legislative Finance
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided analysis of the proposed fiscal plans.

ACTION NARRATIVE

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CHAIR MIKE DUNLEAVY called the Senate State Affairs Standing Committee meeting to order at 3:31 p.m. Present at the call to

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

SB 34-DRIVER'S LICENSE & ID CARDS & REAL ID ACT

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CHAIR DUNLEAVY announced the consideration of SB 34.

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SHELDON FISHER, Commissioner, Alaska Department of Administration, Juneau, Alaska, provided an overview of SB 34 as follows:

Currently there's legislation within the state that prohibits the department from pursuing any activity to comply with the federal REAL ID Act; this is in compliance with a federal law is what we are trying to offer here or at least compliance with federal requirements to get access to certain military bases or to be able to fly.

We have received waivers of the federal REAL ID requirements, those waivers will expire in June and at that point we are currently being informed by DHS that those who do not have REAL ID compliant licenses, if the state is not pursuing compliance, will have to seek alternative ID to be able to get on bases and that might be a passport of theirs and we will go through a list of other IDs, then in January of 2018, that same rule will apply to flights, so individuals will have to have those alternative IDs.

This act, our proposal is optional, it does not require that the state issue a REAL ID compliant license, it gives the individual the option of whether they would like a compliant REAL ID and it charges a fee which will cover the cost of issuing that license, so to some extent the individual will be bearing the cost associated with this.

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COMMISSIONER FISHER commenced his presentation and referenced slide 2, "Federal REAL ID Act" as follows:

- REAL ID covers all 50 states, 5 territories and Washington, D.C.

- Establishes minimum requirements for secure issuance and production of state-issued driver licenses and IDs:
 - Requires states to verify a person's identity & lawful status.
 - Requires special card design features like digital photo, signature, and unique card number.
 - Requires safeguards for issuance and production of licenses; i.e. clearly marking temporary, limited, or otherwise non-compliant licenses as "Not for Federal Identification."
- Twenty-six states currently offer REAL ID compliant cards.
- Nineteen states including Alaska have extensions allowing continued issuance and production of non-compliant cards.
- Five states that are non-compliant - WA, MN, MO, ME, MT:
 - Minnesota and Washington do have Enhanced IDs (chip cards) which are approved for REAL ID Compliant and TSA.
 - Washington and Minnesota have current bills in 2017 for compliance.

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COMMISSIONER FISHER referenced slide 3, "SB 34 Driver's License, State IDs, and REAL ID ACT" as follows:

- What SB 34 Does:
 - Allows DMV to offer Alaskans a choice between a REAL ID compliant driver's license or ID, or a "standard" noncompliant license or ID.
 - Gives DMV the authority and funding to upgrade systems, equipment and processes for REAL ID/DL card production.
 - Allows DMV to charge an additional \$5 fee for REAL ID licenses and IDs to cover the increased cost of production.
- Why SB 34 is Needed:
 - AS 44.99.040 (a)(2) prohibits DMV from spending state funds to comply with REAL ID Act.
 - Without compliant ID, Alaskans will need another form of federal ID for TSA security screenings or to gain access to military bases and secure-entrance federal buildings.
 - REAL ID Act was designed to decrease fraud and ensure that states are checking the validity of documents presented with applications.

He noted that it costs \$1.5 million to comply with REAL ID and the \$5 fee will not recover that \$1.5 million; however, a \$10 would recover the \$1.5 million initial capital cost in about 5 years. If one of the concerns is the cost of funding that, then there is an option to shift that cost to the participant.

CHAIR DUNLEAVY stated that he believed there should always be concern about additional cost.

COMMISSIONER FISHER agreed with Chair Dunleavy. He reiterated that the bill is necessary because of current legislation that prevents the Department of Administration from pursuing a REAL ID compliant license or spending funds to comply with REAL ID which the department is prohibited to do.

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He referenced slide 7, a flowchart about the Real ID process. He pointed out that the process is essentially the same as the state's current ID process with the following exceptions:

- Take photo to store with application in Alaska.
- Electronic Verification of Vital Events (EVVE). Electronically verify date of birth with SSA and the National Association of Public Health Statistics and Information Systems (NAPHSIS).
- Systematic Alien Verification for Entitlements (SAVE). Electronically verify document held by DHS.
- US Passport Verification Service (USPVS). Electronically verify US Passport document data against DHS.
- New permanent license with "Real ID Star" printed by Central Issuance Facility and mailed to applicant.

He addressed slide 8 regarding three different validation steps which depend on which information is presented by the applicant. He noted that EVVE verifies that a person's state issued a U.S. birth certificate that matches the record of the issuing state. He specified that a query is sent to a database that is maintained by the National Association for Public Health. He pointed out that the National Association for Public Health is not a government agency, but a nonprofit organization.

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CHAIR DUNLEAVY asked about information collection and referenced a comment Commissioner Fisher's made earlier that when the information is collected, "The information stays with us," but

noted his previous statement that information is contained in a nongovernmental agency.

COMMISSIONER FISHER explained that the reference he made earlier was specific to a photo taken by the state that it remains in an Alaskan database and is not shared or transmitted anywhere else. He specified that the step he previously noted is a query sent to confirm data from the National Association for Public Health. He reiterated that the National Association for Public Health is not a government agency, but rather a public health organization that has created a database of birth certificate records and validating birth certificates with the organization is a standard practice.

CHAIR DUNLEAVY asked if the information that is contained in REAL ID is shared with the very federal government and that is compelling Alaska to do the REAL ID process.

COMMISSIONER FISHER answered no. He specified that the essence of REAL ID is the state validating the information that has been provided. He detailed that the EVVE system noted earlier is one example, but there are two more options depending on what information is presented by the applicant. He said the first example is based upon a birth certificate being presented, the second one is if the person is an immigrant with a visa that is validated by dipping into another database maintained by DHS. He explained that the third scenario is if a passport is presented and the passport is validated by dipping into the database that is also maintained by DHS.

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CHAIR DUNLEAVY asked what the department is sharing with DHS's database.

COMMISSIONER FISHER explained that the department verifies with DHS that a passport is valid.

CHAIR DUNLEAVY asked if the department must share data with DHS's database.

COMMISSIONER FISHER answered correct.

CHAIR DUNLEAVY asked if that data is being shared with DHS's database.

COMMISSIONER FISHER replied yes. He explained that the department's "dip" has a certain amount of information associated with it.

SENATOR WILSON addressed the initial photo used in comparison for state purposes and asked how the photo will be used. He inquired if the photo will only be used for state purposes. He asked if destroying the photo after the comparison has been considered.

COMMISSIONER FISHER replied that the department has no intention of doing anything other than storing the photo within the Division of Motor Vehicles (DMV). He said there is a potential for a future discussion if the Legislature or someone else deems there is some other worthy use of the photo. He noted that there may be a requirement that the DMV photo is maintained.

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LESLIE RIDLE, Deputy Commissioner, Alaska Department of Administration, Juneau, Alaska, explained that the department saves the photo because law enforcement has the authority to access the database. She added that the photo is also saved in case a person loses all forms of identification and the photo can be used for verification purposes.

SENATOR WILSON asked if a separate database is being created outside of the current database for driver's license photos.

MS. RIDLE answered no, she explained that the photo would be in DMV's database.

SENATOR WILSON asked that the photo-to-ID process be explained in detail and to verify that the photo stays in the state.

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MARLA THOMPSON, Director, Division of Motor Vehicles, Alaska Department of Administration, Anchorage, Alaska, explained that an individual's photo and information is stored in DMV's database in Alaska. She detailed that the photo and information is presented to Gemalto, a company located in Indiana that prints and mails the driver's license to individuals.

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SENATOR WILSON confirmed that Alaskans' biometric data is sent to Gemalto, an international company that does business in 80 different countries. He asked if Alaskans are being notified that their biometric data is being sent out of state during the

driver's license process. He assumed that the state's REAL ID process will be the same as the driver's license process.

MS. THOMPSON explained that all of the information checking occurs in Alaska prior to sending to Gemalto for printing.

COMMISSIONER FISHER concurred with Ms. Thompson.

CHAIR DUNLEAVY opined that some people would find it hard to believe that data would never be shared or leaked considering reports in newspapers that database breaches are occurring.

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COMMISSIONER FISHER referenced slide 4, "What Will Change" as follows:

- Alaska DMV will take a photo at time of application and store that image in Alaska.
- DMV will validate birth certificates or passports if provided by applicant.
- REAL ID/driver's license (DL) cards will have unique design or color indicator to clearly distinguish from noncompliant cards.
- Noncompliant cards will state "Not for Federal Identification."
- DL & ID's will now be valid for 8 years instead of 5 years.

He explained that the additional cost for the REAL ID compliant license is justified from a consumer's perspective based on the additional years that the ID is valid.

He referenced slide 5, "What Won't Change" as follows:

- DMV will still require the primary document, secondary document, and proof of Alaska residency for compliant and noncompliant cards.
- DMV will continue to background check employees.
- DMV will continue to use a secure facility to produce compliant and noncompliant cards.

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He referenced slide 6, "What Do People Need to Bring to Get Alaska ID/DL" as follows:

- Primary Document:

- An original or certified copy of a U.S. birth certificate.
 - Passport or passport card issued by the United States or U.S. Territory.
 - A foreign passport with appropriate immigration status forms issued by DHS, U.S. Citizenship and Immigration Service.
 - A resident alien, temporary resident alien, or employment work authorization document issued by DHS, U.S. Citizenship and Immigration Service.
 - U.S. military identification for active duty, retiree, or reservist.
 - Certificate of Citizenship, Naturalization, or Birth Abroad.
- Secondary Document:
 - All Primary Documents.
 - License from another state or Alaska.
 - Bureau of Indian Affairs card permit.
 - Employee photo ID or School ID.
 - Health insurance card.
 - Medical records.
 - Military dependent identification.
 - Pilot's license.
 - Marriage License.
 - Voter Registration Card.
 - Transportation Worker Identification Credential (TWIC) Card.
- Proof of Principal Residence:
 - Utility bill.
 - Alaska voter registration card.
 - Alaska title and/or registration (Issued at least 30 days prior to application).
 - Paycheck Stub.
 - Medical Assistance card.
 - Public Assistance card.
 - Canceled check or bank statement.
 - Mortgage or rental documents.
 - Letter from employer on letterhead verifying applicant's residence address.
- Proof of Social Security Number:
 - Social Security number or letter from the Social Security Office stating that the applicant is not eligible for a Social Security number.

- Commercial drivers must bring their actual Social Security card.

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COMMISSIONER FISHER referenced slide 9, "Timeline" as follows:

- January 2017 - Governor introduced bill to allow DMV to produce both compliant REAL ID/DLs and noncompliant DLs.
- June 6, 2017 - Alaska's waiver from DHS ends.
- June 7, 2017 - Unless Alaska is granted an additional waiver, approved federal ID will be required to access military bases and federal facilities.
- January 22, 2018 - REAL ID compliant ID/DLs or other federal ID will be required at Transportation Security Administration (TSA) security check points, unless Alaska has passed legislation and is working toward compliance.
- October 1, 2020 - REAL ID compliant ID/DLs or other federal ID will be required at TSA security check points. No additional HSA waivers will be granted.
- If Real ID bill passes this session:
 - December 2017 - DMV completes Alaska License and Vehicle Information Network (ALVIN) upgrade and begins REAL ID upgrades.
 - Mid-2018 - first REAL ID cards available to Alaskans.

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He referenced slide 10, "REAL ID - Accessing Military Bases, Who Will Be Most Impacted If Waiver Expires" as follows:

- State Employees:
 - DMVA,
 - DHSS,
 - State Troopers,
 - DOLWD - OSHA inspectors.
- Civilians:
 - Moving companies,
 - Facility maintenance companies,
 - Retailers,
 - Construction workers,
 - Visitors.
- Anchorage School District:
 - Four schools.
- Fairbanks North Star Borough School District:
 - Four schools.

He referenced slide 11, "REAL ID - Possible Alternative Documents" as follows:

- Prior to the waiver granted in October 2016, Alaska military installations were poised to require federal ID to enter a military base.
- Current list of IDs acceptable for access to Joint Base Elmendorf-Richardson (JBER):
 - United States passports/United States passport cards.
 - Permanent Resident card/Alien Registration Receipt Card (Form I-766).
 - Foreign passports with a temporary (I-551) stamp.
 - An employment authorization document that contains a photograph (Form I-766).
 - Current/valid driver 's license or identification card issued by a state or outlying possession of the U.S. which follows the REAL ID Act of 2005.
 - Identification card issued by federal, state, or local government agencies that are REAL ID act compliant. (Minnesota and Washington identification card holders can have access to federal installations if their driver licenses bear a small red, white, and blue U.S. flag logo on the front.)
 - VA health identification card issued by the U.S. Department of Veterans Affairs.
 - Merchant Mariner card issued by DHS/U.S. Coast Guard.
- TSA has not yet identified which forms of federal ID they will accept in Alaska in lieu of REAL ID/DLs, when enforcement commences in 2018.

SENATOR WILSON asked Commissioner Fisher to explain the waiver process, how waivers are granted and what Alaska would need to do to receive an additional waiver.

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COMMISSIONER FISHER explained that Alaska has asked for waivers from DHS in the past; however, Alaska was notified in January that a final waiver would be granted until June to see if the state passes its REAL ID legislation. He noted that DHS said that an additional waiver should not be expected if the legislation does not pass.

CHAIR DUNLEAVY noted that under the proposed program a person does need to get a REAL ID if they do not want to. He asked if all that needs to be done is repeal the 2008 law. He believed

that a law was passed in Alaska that said the state would not dedicate resources to assisting with the REAL ID concept.

COMMISSIONER FISHER answered that he thought Chair Dunleavy was right. He added that the legislation also authorizes for the collection of another \$5 fee.

CHAIR DUNLEAVY asked if Alaskans who do not want to get the REAL ID will be issued a regular driver's license.

COMMISSIONER FISHER answered yes.

CHAIR DUNLEAVY pointed out that Commissioner Fisher provided a list of different alternative documents that people could get if they so choose. He noted that during Commissioner Fisher's presentation that at the bottom of a slide it says, "TSA has yet to identify what if any additional documents they will require." He asked if the TSA statement is correct.

COMMISSIONER FISHER answered true. He said it would seem logical that TSA would accept passports and that sort of information, and some others they may not.

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CHAIR DUNLEAVY asked if is possible that TSA may change what they accept for identification.

COMMISSIONER FISHER answered that the list may change. He asserted that the REAL ID compliant license will be accepted, but the alternatives may be a shorter list.

CHAIR DUNLEAVY asked if the idea is from the federal government and not from the state of Alaska.

COMMISSIONER FISHER answered correct.

CHAIR DUNLEAVY asked if the federal government wants the state to their work for them.

COMMISSIONER FISHER explained that the federal government has said that they will accept a REAL ID compliant license to enter a federal facility.

CHAIR DUNLEAVY reiterated that the federal government is having the state do the work for them. He said there is nothing preventing the federal government from setting up a federal office.

COMMISSIONER FISHER concurred and remarked that there is nothing preventing the federal government from creating their own ID, but noted that passports are a version of the federal government ID. He stated that the reason why he is advocating for the REAL ID is its user-friendly approach where people have an option to simply pay an extra \$5 to be compliant, plus the license will have three more years of validity to it.

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CHAIR DUNLEAVY opined that there is nothing preventing the federal government from coming up with a new law or a new regulation that somehow cracks open the new databases.

COMMISSIONER FISHER specified that the databases the department is dipping into already exist and no new database are being created through the REAL ID process.

CHAIR DUNLEAVY remarked that the safe approach is to assume that data is going to be shared in the process rather than saying that data is not going to be or will not be shared.

COMMISSIONER FISHER noted that checking on someone's passport does not create a new database. He explained that all the process does is confirm a valid passport.

CHAIR DUNLEAVY replied that Commissioner Fisher is right. He specified that once a person provides data, the assumption must be that the information is going to be shared.

COMMISSIONER FISHER reiterated that the data already exists.

CHAIR DUNLEAVY restated that the chances of a person's data being shared in the REAL ID process is pretty good. He asked Commissioner Fisher if his prior assumption is correct.

COMMISSIONER FISHER replied that he does not understand Chair Dunleavy's question. He repeated that the REAL ID process is a validation of information that already exists. He remarked that he is not certain what new data would be stored because the department is validating data that exists in the federal government's database.

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MS. RIDLE confirmed that no new database is being created with REAL ID and the information has already come into DMV's database.

SENATOR COGHILL noted that he appreciated the part where REAL ID is voluntary. He concurred with Chair Dunleavy's concerns that the state would be doing the federal government's job. He opined that the federal government gives and takes away where one day the federal government might change its mind and require a national ID card.

SENATOR COGHILL noted that the legislation put into place that Chair Dunleavy referenced regarding national ID was debated over whether the state's driver's license was for driving or for identification purposes. He added that the Legislature stressed in the legislation that the state would not assist with a national ID.

He pointed out that commerce was a point made for REAL ID and noted that Fairbanks has two military bases and its impact is going to be a big deal. He disclosed that a person can get a yearlong access to a military base if they do their own checking.

He summarized that he struggles with a national ID, especially with sovereign states and commented as follows:

I think we are supposed to be a free people and right now the fear of government is too high. When you get any reluctance from me it's going to be based on that kind of basic philosophy.

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SENATOR GIESSEL rhetorically asked the committee what information the federal government does not already have about us. She pointed out that she must do a criminal background check, submit tax returns, obtain a concealed-carry permit, and use a driver's license. She said while she shares the concerns voiced in the committee that the federal government is going to control our movement, she remarked that she did not know if the federal government has the data already. She stated that she is not 100-percent sure the legislation is worse than what the federal government already has.

SENATOR COGHILL replied that the concern is not that the federal government has the information, but that people fear that the federal government will use the information on an individual's ability to move. He opined that that the state struggles with driver's licenses used for identification rather than for driving. He stated that he appreciates the voluntary aspect

because it allows commerce to happen. He asserted that he does not know that he is willing at this point to capitulate with the federal government.

SENATOR WILSON noted that 19 states do not have REAL ID. He opined that with 19 states he does not believe airports in those states are going to shut down within 3 years. He admitted that there are other options of acquiring federal identification and noted that some truck-driver associations stated that they are not effected getting on military bases because the drivers have their identification cards. He added that other federal IDs include passport cards and passports. He remarked that the federal government is not paying Alaska to implement the REAL ID program and the state will have to bear the \$1.5 million to implement the program. He opined that using the enhanced "chip cards" would cost less than a whole other driver's license. He summarized that the REAL ID program is an additional requirement without a real benefit for the state. He added that he is not okay with the state storing on a new ID database that can be used for other purposes deemed by new regulations.

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CHAIR DUNLEAVY stated that Commissioner Fisher is not causing the issue. He said he knows Commissioner Fisher believes REAL ID is going to facilitate some good things for Alaska. He remarked that the whole data issue has become insidious and pervasive in everyday life. He agreed with Senator Giessel that the federal government has everyone's data, but asserted that he is not yet willing to rollover and is going to make them work a little harder to get the data. He reiterated that the federal government has outlets on bases to do the work, but decided to coercively have the state help put a program in place by making it hard for Alaskans to get on bases or fly if the state did not want to help.

COMMISSIONER FISHER set forth that SB 34 is a policy decision that the Legislature needs to make. He said his goal is to provide the necessary information to make an informed and appropriate decision. He opined that the federal government does have a program and that is passports and passport IDs. He said an option to present Alaskans is that the Legislature is not going to pass REAL ID and citizens will have to get a passport or passport card, an option that will impose costs and burdens; then the question is what is the benefit associated with that and he opined that consideration not to pass REAL ID becomes more of a statement than any real change. He stated that he agreed with Senator Giessel that the information is there and

really all the department is doing is validating its existence and validity of documents that are presented.

CHAIR DUNLEAVY announced that the committee will hear from invited testimony.

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JIM HARPER, Vice President, Competitive Enterprise Institute, Washington D.C., testified in opposition of SB 34. He disclosed that he has analyzed REAL ID since the law was passed because the policy imposes so heavily on state governments to carry out federal mandates regarding identification. He agreed with Commissioner Fisher that REAL ID is a policy question and emphasized that the most important policy is security.

He set forth that based on his study of how a national ID works and how REAL ID works, there is essentially no national security benefit from implementing REAL ID. He noted that REAL ID was not a 9/11 Commission recommendation. He opined that not only does REAL ID not bring citizens more national security, but the policy creates new security and privacy problems. He said creating the REAL ID database creates hacking risks and fraud risks.

He disclosed that REAL ID requires states to share information from their databases nationwide. He opined that more ID scanning will occur when cards are uniform across the country. He set forth that REAL ID is a national ID that undermines state sovereignty. He remarked that compliant states will give back power that they will not get back.

He summarized that REAL ID will ultimately give the federal government control over an individual's identification, the tool used by everyone to access all the benefits of society.

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CHAIR DUNLEAVY held SB 34 in committee.

[4:26:56 PM](#)

At ease.

PRESENTATION: BRIDGING THE FISCAL GAP - MEANINGFUL REDUCTIONS & LEVERAGING SAVINGS BY SENATOR DUNLEAVY

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CHAIR DUNLEAVY called the committee back to order. He announced that his office will present a fiscal approach that is in

response to the state's fiscal issue. He disclosed that his office has worked on its fiscal approach for a couple of months both with the Alaska Permanent Fund Corporation, Legislative Finance Division, and economists that work with the Institute of Social and Economic Research (ISER).

CHAIR DUNLEAVY set forth that his fiscal plan calls on Alaska's stakeholders, legislature and governor to come up with a way to navigate the state out of its fiscal issue. He said the state's fiscal issue is due to the dramatic drop in oil revenues, oil production, and increased spending since 2006 that has led to a \$2.6 billion to \$3.0 billion fiscal gap.

He noted that the Legislature has worked on reducing spending over the last few years, mainly in the capital budget area, and work continues to drive down the budget to get as close as possible to the revenues used to pay for the government.

He said the Senate Majority has put together an approach and noted that his plan is very similar. He detailed that the Senate Majority is looking at reductions of about \$750 million and his plan calls for reductions of about \$1.1 billion over 4 years.

He added that his office's plan does the following to address the state's fiscal gap:

- Use savings from the Constitutional Budget Reserve (CBR) and other endowed funds to help bridge the gap to a sustainable budget.
- Uses the 50-50 approach initially advocated by former governor Jay Hammond where the Permanent Fund Dividend (PFD) is calculated and distributed, and the remaining 50 percent in the Permanent Fund Earnings Reserve could be used in a manner that the government saw fit; for example, inflation proofing the permanent fund.

He said people asked for a bill, but his plan does not lend itself well to a bill because there are different components. He noted that his plan is a multi-year approach that addresses the continuously opined path that additional revenue and eventually taxes would be needed to get the state through its fiscal issue. He disclosed that further mathematical analysis has led his office to believe that additional revenue is not necessarily an absolute and rather is a choice.

He conceded that steep reductions will be politically difficult. He explained that his office has identified ways to reduce the

budget through program elimination and spending reductions. He pointed out that constituency groups attached to some programs will advocate for their retention. He remarked that growing government by creating more programs is a lot easier than reducing it.

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DANIEL GEORGE, Staff, Senator Dunleavy, Alaska State Legislature, Juneau, Alaska, explained that Chair Dunleavy's office has an approach rather than a bill before the committee. He noted that the Legislative Finance Division is on hand to present their modeling on Chair Dunleavy's approach as it relates side-by-side to bills that have been presented: SB 21, SB 26, and HB 115.

CHAIR DUNLEAVY detailed that the bills referenced by Mr. George deal with the permanent fund and an income tax. He reiterated that his approach is a complete multi-component and multi-year plan to address other aspects that are not seen in the bills referenced by Mr. George.

MR. GEORGE set forth that the intent of the hearing is to introduce a sensible approach that can be used to address the state's current fiscal crisis. He pointed out that although the plan's approach is not a new concept, the concept has not been openly debated in committees.

He stated that the plan's approach is presented in a simple manner. He disclosed that Chair Dunleavy's plan has the backing of the Legislative Finance Division and noted that their modeling will be shared with the committee. He detailed that Chair Dunleavy's plan has a ten-year outlook that has been developed in conjunction with the Legislative Finance Division and made available to the public since the beginning of session. He asserted that the plan is mechanically and mathematically sound.

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He conceded that with all modeling and projections, one's assumptions are important. He detailed the plan's assumptions as follows:

- Projections are all presented in a flat-budget scenario and are consistent across all presentations.
- Governor's \$125 million supplemental budget is not addressed.
- FY2018 budget amendments are not addressed.

- Assumes payment in full of last year's dividend.
- Inflation proofing is not addressed.
- Future obligations that involve unfunded liability obligations or the pursuit of a large project like a gas-line are not addressed.

MR. GEORGE noted that inflation proofing addressed in SB 21 and SB 26 would both repeal the inflation-proofing statute.

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CHAIR DUNLEAVY summarized components of his fiscal plan as follows:

- Looks at a 5 to 10-year horizon.
- Full payout of the dividend to address the Alaska's recession by putting \$700 million into the hands of Alaskans.
- Contemplates Jay Hammond's 50-50 approach that currently exists in the constitution and statute.
- Gradual \$1.1 billion budget reduction over 4 years so that Alaska's economy is not shocked.
- State's savings accounts will grow without taxes.
- SJR 2 has been introduced to revise the current appropriation limit via constitutional amendment to ramp down government's size and growth.
- Judicious use of the state's savings in the CBR and endowments.
- Biennial budget for two-legislative sessions that allows for better budget planning.

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MR. GEORGE set forth that one key aspect of the 50-50 usage of the permanent fund's earnings reserve is that it helps to immediately address the state's fiscal. He explained that the plan focuses on balancing the budget within the next 5 years with a sustainable budget in 10 years. He added that the plan's philosophy of a smaller government is at its heart and attempts to address the gap from both sides.

He noted a correction in the plan's outline and pointed out that Chair Dunleavy's plan draws \$1.54 billion versus the governor's \$2.56 billion. He pointed out that the governor's plan includes \$700 million for dividends which equates to a draw that is 20 percent higher than the 50-50 plan because the 50-50 plan divides half for government and half for dividends.

He noted that the 50-50 plan's 5 and 10-year horizons do not require any imposition of new taxes. He added that the 50-50 plan's modeling does not contemplate any new taxes and assumes the governor's motor-fuel tax does not pass with its revenue removed.

[4:41:01 PM](#)

CHAIR DUNLEAVY explained that there are no assumptions on any additional revenue coming from the new finds on the North Slope from ConocoPhillips, Caelus, Armstrong, and any others that may come. He emphasized that modeling is a conservative approach where new finds that come on line will be added revenue that Alaska can put back into savings.

MR. GEORGE noted that one of the key factors in each of the fiscal plans has been the highly touted dividend levels to Alaskans. He disclosed that the dividend under Chair Dunleavy's plan would be approximately \$2,200 in the next fiscal year and would grow to \$2,800 in 6 years. He emphasized that the dividend under Chair Dunleavy's plan remains whole and grows.

He addressed a 10-year outlook for the 50-50 plan that uses the Alaska Department of Revenue's Revenue Sources Book numbers. He added that the Alaska Permanent Fund Corporation provided data that was given to the Legislative Finance Division to create the plan's 10-year spreadsheets. He explained that a draw will be required to balance the budget for FY2018, FY2019 and FY2020 under the 50-50 concept. He pointed out that \$368 million surplus is forecasted for FY2021 under the 50-50 plan and noted that any surpluses modeled under the 50-50 plan are deposited into the CBR.

[4:43:27 PM](#)

CHAIR DUNLEAVY pointed out that by year-four there would be a surplus if budget reductions are made. He conceded that the proposed budget reductions are steep, but emphasized that surpluses will accumulate without taxes.

MR. GEORGE reiterated that the 50-50 plan's modeling is a flat-budget scenario with increasing surpluses going out 10 years. He noted that the plan's modeling does not account for inflation. He explained that the 50-50 plan's flat-budget scenario is done to provide an apples-to-apples comparison with the other plans.

He addressed the 50-50 plan's revenue and detailed that federal revenue is projected flat because what the federal government is

going to do is not known. He explained that other revenue and "designated" general funds (DGF) also remains flat due to manipulation where more tuition or fees can be collected. He pointed out that the motor fuel's tax increase was backed out and appears in the projection as an increase in "unrestricted" general funds (UGF). He detailed that UGF revenue grows according to the Alaska Department of Revenue's Revenue Sources Book numbers. He disclosed that an assumption is made that all programs that are 100-percent federal revenue will continue only if 100 percent of that revenue continues to be received and there is no augmentation from the state. He added that the projection for FY2027 matches FY2026 because data is not available in the Revenue Sources Book for FY 2027.

[4:45:25 PM](#)

MR. GEORGE detailed that the next slide in his presentation lists the state's major savings accounts. He detailed that the CBR has a balance noted in the modeling at \$4.38 billion for the end of FY2017 with a withdrawal of \$270.5 million in FY2018. He disclosed that the 50-50 plan also includes using the remaining balance in the Statutory Budget Reserve (SBR) of \$288 million for FY2018. He noted that the Alaska Higher Education Investment Fund is available but not used in the 50-50 plan. He pointed out that the governor has proposed a \$58 million draw from the Alaska Higher Education Investment Fund for the current year. He detailed that a one-time withdrawal from the Power Cost Equalization (PCE) fund of \$300 million is contemplated for FY2018 as well.

CHAIR DUNLEAVY explained that the PCE withdrawal is from the endowment and does not curtail or negatively impact the services delivered under the PCE program.

MR. GEORGE continued to address the use of savings accounts and noted that the Earnings Reserve Account's (ERA) draw is the 50-50 draw previously noted in the presentation. He detailed that the ERA's balance is \$8.35 billion for the end of FY2017.

CHAIR DUNLEAVY asked that Mr. George address the balances for each of the savings accounts over time.

[4:47:08 PM](#)

MR. GEORGE detailed the forecasted ending balances for the CBR as follows:

- FY2017: \$4.375 billion,
- FY2018: \$4.324 billion,

- FY2019: \$4.149 billion,
- FY2020: \$4.367 billion,
- FY2021: \$4.974 billion,
- FY2022: \$5.754 billion,
- FY2023: \$6.609 billion,
- FY2024: \$7.551 billion,
- FY2025: \$8.648 billion,
- FY2026: \$9.851 billion,
- FY2027: \$11.111 billion.

MR. GEORGE detailed that the ending balances included withdrawals, settlements, and earnings of 2.89 percent. He noted withdrawals and deposits into the CBR as follows:

- FY2017: \$2,907.2 million withdrawal,
- FY2018: \$270.5 million withdrawal,
- FY2019: \$390.6 million withdrawal,
- FY2020: \$3.1 million withdrawal,
- FY2021: \$368.4 million deposit,
- FY2022: \$520.1 million deposit,
- FY2023: \$570.2 million deposit,
- FY2024: \$631.7 million deposit,
- FY2025: \$755.5 million deposit,
- FY2026: \$828.0 million deposit,
- FY2027: \$849.0 million deposit.

[4:48:35 PM](#)

He revisited savings and addressed the Alaska Housing Capital Corporation (AHCC) money where \$27.1 million is used in the FY2018 budget. He specified that the community sharing and community assistance is not touched. He pointed out that when using the PCE, some of the excess revenues from PCE are used for community assistance.

SENATOR COGHILL asked that that the withdrawals from the PCE account be clarified.

[4:49:20 PM](#)

ALEXI PAINTER, Fiscal Analyst, Alaska Division of Legislative Finance, Alaska State Legislature, Juneau, Alaska, explained that SB 196, which passed the previous year, allows the PCE Fund's excess earnings to be used for other programs such as community assistance and rural energy projects. He specified that up to \$30 million of earnings beyond what is needed for the

PCE program can be used for community assistance, so reducing the capitalization of the PCE Fund by withdrawing money would impact community assistance. He detailed that in FY2017 a portion of the community assistance program was paid for with PCE funding. He disclosed that the Legislative Finance Division's modeling assumes that about half of the community assistance will be for going forward.

SENATOR COGHILL recalled that SB 196 had a "prioritization," where PCE is the first thing being paid and then excess allows it to go to community assistance and one other after that. He asked at what level does the expected earnings diminish if the \$300 million draw-down occurs on the PCE Fund's \$900 million account.

MR. PAINTER replied that one-third of the PCE Fund is reduced so one-third less earnings would occur. He forecasted that a 6-percent return assumption would equate to \$57 million per year in earnings that would drop down to \$40 million which is roughly the cost of the PCE program, so there really wouldn't be any excess earnings if \$300 million was taken out of the PCE Fund.

[4:51:35 PM](#)

SENATOR COGHILL commented that the \$300 million withdrawal from the PCE account is a huge chunk and a problem coming forward.

SENATOR WILSON asked if the Revenue Sharing/Community Assistance program's balance is approximately \$90 million.

MR. PAINTER replied that the fund's balance is \$90 million and one-third of that is paid out each year, approximately \$30 million is annually paid out.

MR. GEORGE addressed UGF reductions as follows:

- FY2018: \$318 million or 6.9 percent UGF reduction which is a 3.2 percent reduction in state services.
- FY2019: \$319 million or 7.4 percent UGF reduction which is a 3.3 percent reduction in state services.
- FY2020: \$320 million or 8.0 percent UGF reduction which is a 3.4 percent reduction in state services.
- FY2021: \$200 million or 5.8 percent UGF reduction which is a 2.3 percent reduction in state services.

[4:53:30 PM](#)

He addressed the ERA balances based in millions of dollars as follows:

- FY2017:
 - Starting Balance: \$8,345.0
 - Dividend Transfer: \$696.0
 - Earnings Reserve Draw:
 - Statutory Net Income: \$2,733.0
 - Ending Corpus Balance: \$39,726.0
 - Ending Total Fund Value: \$55,756.0
- FY2018:
 - Starting Balance: \$10,383.0
 - Dividend Transfer: \$2,227.5
 - Earnings Reserve Draw: \$1,544.5
 - Statutory Net Income: \$3,342.0
 - Ending Corpus Balance: \$40,025.0
 - Ending Total Fund Value: \$56,126.0
- FY2019:
 - Starting Balance: \$9,953.0
 - Dividend Transfer: \$1,526.5
 - Earnings Reserve Draw: \$1,526.5
 - Statutory Net Income: \$3,356.0
 - Ending Corpus Balance: \$40,354.0
 - Ending Total Fund Value: \$57,310.0
- FY2020:
 - Starting Balance: \$10,256.0
 - Dividend Transfer: \$1,580.0
 - Earnings Reserve Draw: \$1,580.0
 - Statutory Net Income: \$3,418.0
 - Ending Corpus Balance: \$40,696.0
 - Ending Total Fund Value: \$58,482.0
- FY2021:
 - Starting Balance: \$10,514.0
 - Dividend Transfer: \$1,714.5
 - Earnings Reserve Draw: \$1,714.0
 - Statutory Net Income: \$3,477.0
 - Ending Corpus Balance: \$41,053.0
 - Ending Total Fund Value: \$59,484.0
- FY2022:
 - Starting Balance: \$10,562.0
 - Dividend Transfer: \$1,797.5
 - Earnings Reserve Draw: \$1,797.5
 - Statutory Net Income: \$3,525.0
 - Ending Corpus Balance: \$41,414.0
 - Ending Total Fund Value: \$60,391.0
- FY2023:

- Starting Balance: \$10,492.0
- Dividend Transfer: \$1,821.0
- Earnings Reserve Draw: \$1,821.0
- Statutory Net Income: \$3,565.0
- Ending Corpus Balance: \$41,778.0
- Ending Total Fund Value: \$61,305.0
- FY2024:
 - Starting Balance: \$10,415.0
 - Dividend Transfer: \$1,847.0
 - Earnings Reserve Draw: \$1,847.0
 - Statutory Net Income: \$3,606.0
 - Ending Corpus Balance: \$42,143.0
 - Ending Total Fund Value: \$62,219.0
- FY2025:
 - Starting Balance: \$10,327.0
 - Dividend Transfer: \$1,871.0
 - Earnings Reserve Draw: \$1,871.0
 - Statutory Net Income: \$3,646.0
 - Ending Corpus Balance: \$42,514.0
 - Ending Total Fund Value: \$63,140.0
- FY2026:
 - Starting Balance: \$10,231.0
 - Dividend Transfer: \$1,893.0
 - Earnings Reserve Draw: \$1,893.0
 - Statutory Net Income: \$3,686.0
 - Ending Corpus Balance: \$42,844.0
 - Ending Total Fund Value: \$64,066.0
- FY2027:
 - Starting Balance: \$10,131.0
 - Dividend Transfer: \$1,914.0
 - Earnings Reserve Draw: \$1,914.0
 - Statutory Net Income: \$3,726.0
 - Ending Corpus Balance: \$43,250.0
 - Ending Total Fund Value: \$64,538.0

MR. GEORGE detailed that in FY2018 the dividend transfer is \$2.23 billion to reflect the presumption that the rest of the 2016 dividend is paid out, resulting in an additional \$683 million built into the FY2018 dividend transfer. He pointed out that inflation proofing is not addressed in the plan. He added that the dividend transfer and the earnings reserve draw are equal because the plan calls for a 50-50 usage. He noted that by FY2017 the modeling projects the ERA to maintain around \$10 billion, the ending corpus balance grows from \$39.7 billion to \$43.3 billion, and the ending total fund value increases to

\$64.5 billion. He specified that there are no changes to the statutory-dividend formula so legislation is not required.

4:55:07 PM

SENATOR COGHILL asked if the statutory net income modeling is based on an average of what the whole fund has earned, a combination of the ERA and the fund, or is it just the ERA.

MR. GEORGE replied that Mr. Painter will provide an answer. He noted that the numbers for the modeling is provided by the Alaska Permanent Fund Corporation with an assumed return of 6.95 percent. He added that he assumed the permanent fund's corpus and ERA are invested together.

SENATOR COGHILL explained that the reason for his question is due to a previous presentation by the Chief Executive Officer of the Alaska Permanent Fund Corporation where fluidity was addressed for inflation proofing and investments from the ERA. He inquired if the projected \$10 billion in the ERA is enough for investment flexibility in addition to his previous question on the whole fund.

MR. PAINTER asked Senator Coghill if he is asking what is statutory net income.

SENATOR COGHILL answered yes.

4:57:01 PM

MR. PAINTER explained that the total return as follows:

The total return is basically the difference between where you start at the beginning of the year to where your investments end up.

The statutory net income is how money goes from the principal to the earnings reserve and that is the realized earnings of the fund, so if the fund holds a stock and it increases in value and they continue to hold it at the end of the year, that gain is not realized, so that money would not move into the ERA. If a stock gained and then they sold it, the difference would be a realized gain that would be a part of the ERA. For the real estate portfolio, the rent they may receive on an asset, that would be realized gains, but the increase of value of that asset if they continue to hold it would not be.

There are two projections that I have, 6.95-percent total return and then they project 6.24-percent realized return each year; there was some discussion of that in the House Finance Committee just now and again in the Senate Finance Committee tomorrow about that assumption of realized versus unrealized gains. Our model of the Legislative Finance Division uses a more conservative figure for the amount realized than the Alaska Permanent Fund Corporation.

SENATOR COGHILL commented that whenever net income is addressed he tries to know where the line is drawn. He remarked that the plan's income stream looks to be over what generally has been put into inflation proofing, now the question is a matter of the flexibility.

4:59:20 PM

MR. GEORGE noted that the Legislative Finance Division will provide the committee with their comprehensive modeling of the 50-50 plan.

MR. PAINTER explained that his overview references a status quo scenario which is no action. He added that his overview will also reference the permanent fund, flat budget, and the three bills in conjunction with Chair Dunleavy's 50-50 plan.

He explained that in the status quo scenario, the Legislative Finance Division starts with a conservative realized figure, 57.25 percent of income realized, about 4.00 percent a year rather than the permanent fund's 6.24 percent. He detailed that with the status quo deficits continue and unplanned draws beginning in FY2019 will cause reserves to run out by the end of FY2026.

CHAIR DUNLEAVY asked if status quo means the state continues to spend and draw at its current levels.

MR. PAINTER answered correct and added that statutory inflation-proofing would continue as well.

He addressed the governor's plan and noted that the plan is basically the same as what the Senate passed the previous year, SB 28. He detailed that the governor's plan has a 5.25-percent percentage of market value (POMV) draw with a dividend that is based on 20 percent of the draw plus 20 percent of UGF royalties. He noted that there is a dividend floor of \$1,000 for the first two years and a dividend formula after that. He said

the effect of the governor's plan is that it does not balance the budget for several years, but reserves would be stabilized. He pointed out that the 5.25-percent POMV draw becomes an effective draw of 4.7-percent because fund-balance averages from previous years are used.

[5:04:53 PM](#)

ROB CARPENTER, Fiscal Analyst, Alaska Division of Legislative Finance, Alaska State Legislature, Juneau, Alaska, explained that the formula used after the guaranteed \$1,000 dividend for 2 years will distribute dividends beyond the initial 2 years at approximately the \$1,000 level as well.

CHAIR DUNLEAVY asked how much the government takes from the governor's plan.

MR. CARPENTER replied that the amount for the general fund would start out at \$1.8 billion and rise from there as the fund value grows. He added that the modeling assumes a flat budget with no budget cuts and no taxes. He pointed out that the governor has a motor-fuel tax increase that is not shown in the modeling.

He addressed HB 115 and noted that the plan does have an income tax. He detailed that HB 115 has a 4.75 percent POMV draw and an income tax equal to 15 percent of federal income taxes paid. He added that the plan pays one-third of the POMV draw to the dividend. He noted that the dividend draw starts out higher than the governor's plan at \$1,100 and rises from there. He pointed out that the plan closes the deficit earlier by FY2023 with rising reserves. He added that the plan's 4.75 percent POMV payout levels out to about a 4.17-percent effective payout over time. He said the fund more than keeps up with inflation and noted that in FY2026 the fund would be 109 percent of the real value.

[5:06:47 PM](#)

MR. GEORGE pointed out that when the combined value of the ERA and the corpus is noted as keeping pace with inflation, what is happening is the ERA is growing, but the corpus is not because there are no inflationary deposits into the corpus. He explained that the entire ERA is available for appropriation today in its entirety, should that happen the fund would not have kept up with inflation.

MR. PAINTER said inflation proofing in the noted plans do not use the traditional inflation-proofing mechanism. He explained that the traditional method uses the actual inflation amount

that happened in that year and then puts that amount back into the principal, also known as a "spillover" method. He detailed that if the ERA's balance exceeds four-times the draw, the amount over the four-times draw would go to the principal.

MR. PAINTER explained that SB 21, Senator Stedman's bill, has a 4.5-percent POMV draw with 50 percent going to dividends. He noted that dividends in SB 21 start out at \$1,600 and rise from there, above the status quo line. He disclosed that SB 21 does not completely close the budget deficit, so the CBR would be exhausted in FY2021 and then there would be unplanned draws from the ERA unless there are additional actions taken; as a result, SB 21 does not hold the real value as much because there are unplanned draws. He noted that if there were reductions to the budget or other taxes to offset that because of the lower draw, a higher real value would result. He added that the effective draws also show as very high in SB 21 because of the unplanned draws.

[5:08:52 PM](#)

CHAIR DUNLEAVY noted that what is important to know about SB 21 is the bill is a POMV 50-50 approach where the government's take and the dividend are equal.

MR. PAINTER explained that Chair Dunleavy's 50-50 plan as outlined uses income rather than a POMV draw is essentially the difference with SB 21. He said the 50-50 plan's dividend is very close to the status quo scenario. He noted that the 50-50 plan looks a little different from the earlier presentation because the Legislative Finance Division's modeling uses a more conservative realized figure and no budget cuts. He said without the budget cuts, the reserves would be declining, the CBR would still diminish, and the plan would just barely keep pace with inflation. He detailed that the 50-50's plan's draws to the general fund would begin at \$1.5 billion.

CHAIR DUNLEAVY stated that Mr. Painter's description of the 50-50 plan is different from his office's explanation.

[5:10:08 PM](#)

MR. PAINTER replied correct. He addressed budget cuts and noted that the cuts are an important part of the 50-50 plan. He explained that the Legislative Finance Division incorporated budget cuts into its modeling at various cumulative amounts. He detailed that the following cumulative budget cut amounts were used: \$300 million, \$600 million, \$900 million, and \$1.1

billion. He referenced modeling using budget cuts with various variables and commented as follows:

That looks more like the picture you saw, still a little different because we are using this more conservative realized figure. So, under using this 57.25 percent realized, you still close the budget deficit, you have dividends roughly the same as status quo, increasing ERA balance, and the CBR holds.

So, to get to what you have in front of you, switch this higher realized value, this is more what the permanent fund is expecting, and the effects of that is that then you do have increasing CBR balances, higher dividends, and surpluses; however, at that point you are not maintaining pace with inflation in the fund because the real value of the fund would be declining. So, if you use this more conservative realized figure then it is keeping pace with inflation, but reserves aren't as healthy, if you use the more aggressive figure you are not keeping pace with inflation, but reserves are healthier.

CHAIR DUNLEAVY opined that there are tradeoffs in all of the approaches in terms of dividends, government take, and keeping up with inflation.

[5:12:06 PM](#)

MR. PAINTER noted that the same budget cuts applied to SB 21 shows very similar effects where the budget deficit is closed at roughly the same time and has comparable dividends. He set forth that the primary difference between the approaches is going to be how they perform with more volatile investment returns. He specified that the advantage of the POMV approach is that it provides more stable amounts for government than the other approach.

CHAIR DUNLEAVY addressed Senator Coghill's concern on revenue sharing and offered that there is flexibility where more could be drawn from the CBR or the Alaska higher Education Investment Fund. He said Senator Coghill's concern probably is the central issue for all the plans regarding how much should be drawn, how much should be cut, and should there be revenue enhancements from taxes.

He said what his office put forward is to show an approach that mathematically and mechanically can work with reductions because

reductions are the key. He asserted that without reductions there is a case to be made that the state may end up chasing costs with revenue that may be difficult to get through taxes. He emphasized that his office wanted to show different approaches to a sustainable budget in four years, maintain the dividend, and keep the cost of government locked down through an appropriation limit if people vote in the affirmative. He set forth that the 50-50 approach can grow the combined fund balances into the \$65 billion range.

CHAIR DUNLEAVY reiterated that there are tradeoffs and the tradeoff in the 50-50 approach is to avoid taxes by drawing on the ERA under the existing statute, budget reductions, and a judicious use of other savings accounts. He summarized that the 50-50 plan and the Senate Majority approach can address reductions early on while lessening the need for a tax.

[5:15:42 PM](#)

SENATOR COGHILL noted that the ERA could be depleted in an ad hoc way if the Legislature did not have a systemic way to work with it. He asserted that Chair Dunleavy has shown that a systemic approach is only true if cutting government is not started. He concurred that cutting government is harder than going into savings accounts. He said Chair Dunleavy has clearly shown that the plans could work with some self-discipline.

CHAIR DUNLEAVY commented that the reviewed plans are all statutory, meaning that they can be changed by the Legislature. He reiterated that his office wanted to address the thought that the state cannot get out of its fiscal problem without taxes and a real restructuring of the permanent fund. He reiterated that budget reductions must be contemplated along with the use of savings. He added that his office has also demonstrated that the state's savings can be maintained and in many cases the savings grow.

[5:17:38 PM](#)

CHAIR DUNLEAVY asked for unanimous approval that SCR 2, April 2017 Sexual Assault Awareness Month, be waived from the Senate State Affairs Standing Committee to the next committee of referral. He said seeing no objection, SCR 2 is waived to the next committee of referral.

[5:18:13 PM](#)

There being no further business to come before the committee, Chair Dunleavy adjourned the Senate State Affairs Committee at 5:18 p.m.