

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

April 30, 2019

3:05 p.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Jonathan Kreiss-Tomkins, Co-Chair
Representative Gabrielle LeDoux
Representative Andi Story
Representative Adam Wool
Representative Sarah Vance
Representative Laddie Shaw

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Josh Revak

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 18

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

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 5

Proposing amendments to the Constitution of the State of Alaska prohibiting the establishment of, or increase to, a state tax without the approval of the voters of the state; and relating to the initiative process.

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 6

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

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 7

Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; relating to the budget reserve fund and establishing the savings reserve fund; and relating to the permanent fund.

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HJR 18

SHORT TITLE: CONST AM: PERMANENT FUND; POMV; EARNINGS

SPONSOR(s): REPRESENTATIVE(s) KREISS-TOMKINS

04/24/19	(H)	READ THE FIRST TIME - REFERRALS
04/24/19	(H)	STA, JUD, FIN
04/25/19	(H)	STA AT 3:00 PM GRUENBERG 120
04/25/19	(H)	Heard & Held
04/25/19	(H)	MINUTE(STA)
04/30/19	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HJR 5

SHORT TITLE: CONST. AM: STATE TAX; INITIATIVE

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/20/19	(H)	READ THE FIRST TIME - REFERRALS
02/20/19	(H)	STA, JUD, FIN
04/30/19	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HJR 6

SHORT TITLE: CONST. AM.: PERMANENT FUND & DIVIDEND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/20/19	(H)	READ THE FIRST TIME - REFERRALS
02/20/19	(H)	STA, JUD, FIN
04/25/19	(H)	STA AT 3:00 PM GRUENBERG 120
04/25/19	(H)	Heard & Held
04/25/19	(H)	MINUTE(STA)
04/30/19	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HJR 7

SHORT TITLE: CONST AM: APPROP. LIMIT; RESERVE FUND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/20/19	(H)	READ THE FIRST TIME - REFERRALS
02/20/19	(H)	STA, JUD, FIN
04/30/19	(H)	STA AT 3:00 PM GRUENBERG 120

WITNESS REGISTER

EMILY NAUMAN, Deputy Director
Legislative Legal Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HJR 18.

KEVIN MCGOWAN, Staff
Representative Jonathan Kreiss-Tomkins
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HJR 18 on behalf of Representative Kreiss-Tomkins, prime sponsor.

PAULYN SWANSON, Communications Manager
Alaska Permanent Fund Corporation (APFC)
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HJR 18.

JUSTIN PARISH
Juneau, Alaska

POSITION STATEMENT: Testified in support of HJR 18.

LYNN WILLIS
Eagle River, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

LAURA BONNER
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing of HJR 18.

JAMES SQUYRES
Delta Junction, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

BERT HOUGHTALING
Big Lake, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

INGRID PETERSON
Fox Creek Canyon Landowners Association
Homer, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

PAM GOODE
Delta Junction, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

TRISHA PEARSON
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HJR 18.

VIKKI JO KENNEDY
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

ADAM HYKES
Homer, Alaska

POSITION STATEMENT: Testified in opposition to HJR 18.

LARRY SLONE
Homer, Alaska

POSITION STATEMENT: Testified in support of HJR 18.

GARY MCDONALD
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on HJR 18

MIKE BARNHILL, Director of Policy
Office of Management & Budget (OMB)
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Presented HJR 5, HJR 6, and HJR 7 on behalf of the House Rules standing Committee, sponsor, by request of the governor.

WILLIAM MILKS, Senior Assistant Attorney General
Legislation & Regulations Section
Civil Division (Juneau)
Department of Law (DOL)
Juneau, Alaska

POSITION STATEMENT: Provided a sectional analysis for HJR 5 on behalf of the House Rules Standing Committee, sponsor, by request of the governor.

ED KING, Chief Economist
Office of Management & Budget (OMB)
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Presented HJR 7 on behalf of the House Rules Standing Committee, sponsor, by request of the governor, with the use of a PowerPoint presentation.

CORI MILLS, Senior Assistant Attorney General
Labor and State Affairs Section
Department of Law (DOL)
Juneau, Alaska

POSITION STATEMENT: Provided a sectional analysis for HJR 7 on behalf of the House Rules Standing Committee, sponsor, by request of the governor, with the use of a PowerPoint presentation.

JUSTIN PARISH
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HJR 5 and HJR 7.

JOE GELDHOF, Board Member
Permanent Fund Defenders
Juneau, Alaska

POSITION STATEMENT: Testified in support of HJR 6.

LAURA BONNER
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HJR 5, HJR 6, and HJR 7.

PAT KEHOE PENDELL
Sitka, Alaska

POSITION STATEMENT: Testified in opposition to HJR 5, HJR 6, and HJR 7.

ROBERT HALL
Houston, Alaska

POSITION STATEMENT: Testified during the hearing on HJR 5, HJR 6, and HJR 7.

BRIAN LYNCH
Petersburg, Alaska

POSITION STATEMENT: Testified in opposition to HJR 5, HJR 6, and HJR 7.

ADAM HYKES
Homer, Alaska

POSITION STATEMENT: Testified during the hearing on HJR 5 and in support of HJR 6 and HJR 7.

LARRY SLONE
Homer, Alaska

POSITION STATEMENT: Testified in opposition to HJR 5 and HJR 6 and in support of HJR 7.

GENE WHITE
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HJR 5, HJR 6, and HJR 7.

CRIS EICHENLAUB
Eagle River, Alaska

POSITION STATEMENT: Testified in support of HJR 5, HJR 6, and HJR 7.

DEBORAH HOLLAND
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HJR 5, HJR 6, and HJR 7.

ACTION NARRATIVE

[3:05:00 PM](#)

CO-CHAIR ZACK FIELDS called the House State Affairs Standing Committee meeting to order at 3:05 p.m. Representatives LeDoux, Story, Wool, Vance, Shaw, Kreiss-Tomkins, and Fields were present at the call to order. Also present was Representative Revak.

HJR 18-CONST AM: PERMANENT FUND; POMV; EARNINGS

[3:05:29 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 18, Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to appropriations from the Alaska permanent fund.

[3:05:57 PM](#)

CO-CHAIR KREISS-TOMKINS, as prime sponsor of HJR 18, stated that he was available for questions.

REPRESENTATIVE WOOL asked whether the Alaska State Constitution could be amended under the proposed resolution or whether a

constitutional convention would be required to revise the constitution.

CO-CHAIR KREISS-TOMKINS responded that there is limited case law on the question of amendment versus revision. He cited the Alaska Supreme Court decision Bess v. Ulmer [1999]. He stated that there are differing perspectives for "constitutionalizing" the permanent fund dividend (PFD) itself and whether doing so would constitute a revision as opposed to an amendment. He expressed his belief that the amendment proposed under HJR 18 is clearly just an amendment, because it would change the structure of the permanent fund, combine the earnings reserve fund (ERA) into the principle, and add a constitutional cap [on appropriations from the permanent fund]; it would not effectively add new content into the constitution that might be considered a revision. He suggested asking for an opinion from Legislative Legal Services.

[3:08:11 PM](#)

EMILY NAUMAN, Deputy Director, Legislative Legal Services, Legislative Affairs Agency, responded that it was a difficult question to answer because there is only one case to depend on to parse out the difference between an amendment and a revision. She said that of the four resolutions to be considered by the committee, HJR 18 is the most innocuous; it proposes to make a small number of changes and would not have a sweeping effect on the balance of power between the three branches of government. She relayed that the best test for determining the difference is two-pronged: 1) looking at the number of changes, and 2) looking at the type of changes. She offered that Representative Kreiss-Tomkins's representation of the changes proposed in HJR 18 is accurate: the changes are minor quantitatively and do not tip the scale qualitatively as far as balance of power or other constitutional authority of the government.

REPRESENTATIVE LEDOUX asked for a quick synopsis of HJR 18.

CO-CHAIR KREISS-TOMKINS answered that HJR 18 would roll the ERA into the principle of the permanent fund, effectively creating an endowment governed with a hard cap - a draw of 5 percent of the average of its market value - for the first five of the preceding six fiscal years.

REPRESENTATIVE LEDOUX asked whether that amount is less than what the state is currently drawing from the fund.

CO-CHAIR KREISS-TOMKINS responded that under Senate Bill 26 [passed during the Thirtieth Alaska State Legislature, 2017-2018, and signed into law 6/27/18], 5.25 percent of market value (POMV) will be drawn from the permanent fund for the current fiscal year [fiscal year 2018 (FY 18)] and the next two fiscal years [FY 19 and FY 20] to be available for appropriation, if the legislature follows statute; thereafter, the POMV would be reduced to 5 percent. He pointed out that after the next two fiscal years, HJR 18 would mirror what is already in law.

REPRESENTATIVE LEDOUX asked if the motive for HJR 18 is to prevent the legislature from "getting its hands on money."

CO-CHAIR KREISS-TOMKINS stated that the primary goal of HJR 18 is to protect the permanent fund forever; ensure that it cannot be spent down but will remain permanent. He described a secondary benefit: As the permanent fund is presently structured, even if the legislature is restrained in its spending, the ERA could bottom out in an extreme [stock] market downturn. This almost occurred in 2009. He expressed that the ERA could drop to \$0, and money would not be available for dividends or public services. He maintained that HJR 18 would effectively prevent that from happening.

[3:13:20 PM](#)

REPRESENTATIVE VANCE asked for confirmation that HJR would enshrine the POMV and supersede the statutory PFD formula.

CO-CHAIR KREISS-TOMKINS answered, "That's incorrect." He stated that there would be no mathematical conflict between having a statutory POMV and a statutory PFD. He relayed that under HJR 18, there would be enough money for the legislature to draw a 5 percent POMV and pay out \$3,000 dividends.

REPRESENTATIVE VANCE expressed her understanding that historically the PFD was calculated from the 5-year average. Under HJR 18, a 5 percent POMV would be transferred to the general fund (GF), and from that draw the legislature would dispense PFD checks based on historical calculations. She referred to page 1, line 15, of HJR 18, which read in part, "Each fiscal year, the legislature may appropriate from the permanent fund to the general fund an amount that is not more than five percent..." and added that the POMV would then be transferred from the corpus to GF. Subsequently, the legislature could distribute a dividend based upon the statutory formula.

3:16:00 PM

KEVIN MCGOWAN, Staff, Representative Jonathan Kreiss-Tomkins, on behalf of Representative Kreiss-Tomkins, prime sponsor of HJR 18, responded that HJR 18 would not affect how the legislature decides to allocate the 5 percent draw.

CO-CHAIR KREISS-TOMKINS added that the answer to the question is, Yes, that money can be distributed for dividends.

REPRESENTATIVE VANCE expressed that the bigger issue for the public is "where funding starts." She said, "We all agree that ... the 50-50 statutory formula, but where do you implement it into the math equation and come out with a different amount? And this puts it in after the POMV draw, whereas historically it was directly from the average of the earnings, and this, I think, would shift a lot of the conversation of what the public is trying to have in light of the governor's constitutional amendments as well." She continued by stating, "I'm not there yet. I know that the winds are ... blowing that way with SB 26, but I don't ... think I'm there yet because the public wants to have a fuller conversation on the possibility of PFD paybacks with the ERA, of how the dividend should be formulated in the future; and I agree that we need to look on the overall effects of the future, but I'm just not there with your amendment at this time."

REPRESENTATIVE STORY expressed her understanding that [HJR 18] follows best practices for big endowments in setting their investment earnings for the year.

CO-CHAIR KREISS-TOMKINS agreed that most endowments and most sovereign wealth funds are managed in the manner contemplated by HJR 18, with a POMV taken out every year and one combined fund for which the principle is protected.

REPRESENTATIVE LEDOUX expressed her concern that under HJR 18, the PFD will take "second place"; it will be taken from the amount that is remaining. She referred to Senator Peter Micciche's comment in the Senate Finance Standing Committee meeting that a \$3,000 PFD would probably exceed the limits of Senate Bill 26. She said that he pointed out that legislators would need to decide which of the statutes to violate. She concluded that in the scenario under HJR 18, the PFD would "be the stepchild."

CO-CHAIR FIELDS offered that \$3 billion is enough to pay out a statutory dividend. It is the decision of the legislature whether to do that, raise revenue to pay the dividend and maintain government services, or pay out a massive dividend and annihilate government services within the POMV framework. All of these are options.

[3:20:56 PM](#)

CO-CHAIR FIELDS asked for confirmation that since the current statutory formula was put in place, the permanent fund has grown steadily over time considering bull and bear markets.

[3:21:20 PM](#)

PAULYN SWANSON, Communications Manager, Alaska Permanent Fund Corporation (APFC), Department of Revenue (DOR), responded that the permanent fund has certainly grown a great deal over time since inception - from the initial deposit of \$734,000 to the \$64.5 billion as of March 31 [2019].

CO-CHAIR FIELDS asked whether nominal and real value PFDs have generally grown over time.

MS. SWANSON offered that DOR could better answer the question regarding the PFD. She stated that up until the past few years, the PFD was based on the statutory net income from the fund averaged over years. She relayed that HJR 18 speaks to the amount of money that could be spent off the fund on an annual basis; it does not speak to the dividend.

CO-CHAIR FIELDS asked for confirmation that nothing in the constitutional amendment under HJR 18 would limit the dividend or nullify the current statute with respect to disbursement of the dividend.

MS. SWANSON confirmed that nothing within the proposed resolution speaks to the dividend.

REPRESENTATIVE WOOL maintained that the proposed resolution specifies the amount of revenue that may be taken from the fund and does not address the statutory formula for the PFD at all.

MS. SWANSON answered, "That's absolutely correct."

REPRESENTATIVE WOOL expressed his understanding that the ERA is the account used to pay the PFD via GF; in other words, it is the source of expendable cash in the permanent fund.

MS. SWANSON stated that with the implementation of Senate Bill 26, FY 19 was the first year that funds were distributed directly to GF as a revenue source. Up until then, the ERA had been used historically to pay dividends, pay for APFC operations and management, and to support the Department of Law (DOL) and Department of Natural Resources (DNR) regarding the work they do to bring in royalties.

REPRESENTATIVE WOOL relayed that the ERA was used to pay the PFD checks. He asked what the changes would be under Senate Bill 26.

MS. SWANSON answered that with Senate Bill 26 in place, there is a statutory rule limiting the draw to 5.25 percent for FY 19, FY 20, and FY 21; in FY 22, the draw goes to 5 percent. She stated that it is the responsibility of the legislature to appropriate the money from the ERA to GF following the statutory rule; further distribution of that money is the policy call of the legislature.

REPRESENTATIVE WOOL stated that prior to Senate Bill 26, funds needed for the PFD checks were taken directly from the ERA.

MS. SWANSON said, "Historically ... that is correct."

REPRESENTATIVE WOOL offered that now the 5.25 percent draw goes to GF, funds for the PFD checks come from GF.

MS. SWANSON answered yes, the current construct of the FY 20 budget is that the 5.25 percent goes directly to GF and is further distributed to the PFD fund from GF.

CO-CHAIR FIELDS recalled that \$1.9 billion would be needed to pay a \$3,000 PFD in the current year.

MS. SWANSON concurred.

[3:26:33 PM](#)

CO-CHAIR FIELDS relayed that under HJR 18, a [5.25] percent draw would be \$3 billion - vastly more than enough to pay a \$3,000 PFD; HJR 18 would not limit the size of the PFD; the size of the PFD is a legislative decision.

REPRESENTATIVE WOOL asked whether APFC has a position on the concept behind what HJR 18 attempts to accomplish.

MS. SWANSON responded that the APFC board of trustees has no position on this resolution specifically. Historically the board has supported the POMV and classic endowment concepts. Resolution 1804, passed by the board, speaks to the importance of having a rules-based structure regarding withdrawals from the fund, and HJR 18 reflects a rules-based structure regarding withdrawals from the fund for ongoing sustainability.

REPRESENTATIVE VANCE referred to testimony that ERA funds were used by DNR to collect royalties. She asked what mechanism is in place under Senate Bill 26 to support DNR.

MS. SWANSON answered that the funds for DNR is an appropriation in the operating budget. Within the operating budget, the ERA currently funds the APFC operating budget for the investment and management of the permanent fund. There is a specific appropriation to DNR regarding royalty work. She stated that combined, DOL and DNR receive about \$8 million to support their activities in generating royalties.

[3:29:10 PM](#)

REPRESENTATIVE SHAW expressed that HJR 18 appears to put all the ERA into the principle of the fund. He cited page 1, line 10, of HJR 18, which read in part, "Except as provided in (b) and (c) of this section, all income...." He said that the rationale given for HB 31 was that there needed to be a "cushion" in the ERA. He asked if HJR 18 would provide a cushion or is a cushion not needed.

CO-CHAIR KREISS-TOMKINS answered that HB 31 works within the current structure of the permanent fund in the constitution, whereas HJR 18 would change that very structure. He said that in the current structure, as long as there is an ERA - which is subject to volatility with markets or the spending of the legislature - it is advisable to have a "shock-absorber" - some liquidity - in the ERA; if the ERA goes to zero, there is no means to pay dividends or for public services. Under HJR 18, combining the ERA into the principle and operating under the POMV structure eliminates the need for liquidity in the ERA. He added that HJR 18 would solve the problem at its root.

REPRESENTATIVE SHAW commented that part of the hardship in the committee and in the public view is that the issues have become so confusing, and there are so many bills, resolutions, and amendments dealing with the permanent fund, the PFD, and the earnings that it is difficult to "get a bite on anything in particular." He maintained that Representative Kreiss-Tomkins's explanation confused him more. He said that he sees a conflict between HB 31 and HJR 18, yet he doesn't know if there is one. He mentioned the difficulty of messaging these concepts to his constituents.

CO-CHAIR FIELDS gave an example as an explanation: HJR 18 passes. Alaska loses \$5-10 billion from the fund due to a bad market year. Because the ERA and the principle are combined and Alaska is using a POMV draw, there would still be adequate money to pay out PFDs from that one integrated fund, just as there would be if the ERA money was adequate. He maintained that under HJR 18, the funds for payouts are "safer," because the money would be taken from a larger fund, which constitutes less risk in a terrible market; in a terrible market the likelihood of the ERA being drawn down is greater.

CO-CHAIR KREISS-TOMKINS added that currently the permanent fund has two accounts: the principle and the ERA. Since the ERA was created, it was necessary to have liquidity in the ERA. Under HJR 18, the two would be combined.

REPRESENTATIVE SHAW offered that HJR 18 provides no cushion, since the resolution states that all income [from the permanent fund shall be retained in the GF].

CO-CHAIR FIELDS responded that HJR 18 provides the largest cushion possible for paying out dividends and for services within the context of the POMV.

[3:33:46 PM](#)

REPRESENTATIVE WOOL referred to testimony that the legislature has a mixed history on following its own rules. He opined that these statements bother him. There are some examples of that being true: the legislature not following the 90-day session and the PFD formula being ignored during the past three years. He asked, "Do you really think that we're going to just start ... digging through the crates and pulling cash out because we need it above and beyond the 5.25 percent? Is that your fear?"

CO-CHAIR KREISS-TOMKINS replied that it is impossible to know; however, there is enough probability or risk that it could happen and, therefore, warrants fully protecting the permanent fund. He stated that in this first year of the rules-based framework for the permanent fund, one legislative body is potentially on the verge of passing a budget that exceeds the 5.25 percent draw.

REPRESENTATIVE WOOL asked what the state would do in the following scenario: the oil revenue goes to almost nothing for any number of reasons; the stock market and economy are booming; the permanent fund is growing; the expense of operating the state is substantial; however, Alaska is locked into the 5 percent draw in the constitution.

CO-CHAIR KREISS-TOMKINS replied that the State of Alaska would have to do what the other 49 states in the country do, which is cut the budget, raise revenues, or execute some balance of both.

[3:37:22 PM](#)

REPRESENTATIVE LEDOUX offered that the corpus of the permanent fund is already protected without the proposed amendment to the constitution; the legislature cannot access the corpus without a vote of the people. She suggested that HJR 18 relates to protecting the ERA - a subaccount of the permanent fund.

CO-CHAIR KREISS-TOMKINS answered that her question gets to the "heart of the matter," which is, "Do we as the legislature - do Alaskans - consider the ERA part of the permanent fund ... as in something that should be protected forever, managed for the benefit of future generations, or is this ... a pot of cash akin to the statutory budget reserve, the constitutional budget reserve, that's available to be spent down because we want to pay down unfunded liability, we want to build a bridge, we want to have an amazing foster care system, whatever?" He maintained that the premise of HJR 18 is that the ERA is part of the permanent fund - which is supported by history and by law - and should be likewise protected and managed.

CO-CHAIR FIELDS opened public testimony on HJR 18.

[3:39:15 PM](#)

JUSTIN PARISH testified that he supports the resolution and believes that it will provide protection for the real value of the [permanent] fund. Currently, protection for only the corpus

does not protect the real value of the corpus; if the earnings are spent down, because of inflation or market losses, the corpus would be steadily depleted year after year. He maintained that only a constitutional amendment such as under HJR 18, which follows best practices of fund management, would be enough to protect the fund into the future.

[3:40:36 PM](#)

LYNN WILLIS testified that he is opposed to amending the constitution, because it will constrain the legislature in doing its job regarding stewardship of fiscal resources. He maintained that the legislature needs every option available to solve the budget crisis and expressed that he doesn't want the public blamed if the state cannot pay out a massive PFD or levy taxes. He stated that he opposes the constitutional amendment approach and supports addressing changes during the constitutional convention.

[3:41:58 PM](#)

LAURA BONNER testified that the resolution is confusing. She said that she supports protecting the permanent fund. She stated that she supports eliminating the ERA and putting the POMV draw into the GF.

[3:43:32 PM](#)

JAMES SQUYRES testified that he supports the original calculation of the PFD, and HJR 18 would remove that calculation. He opined that eliminating the ERA and the statutory income would ultimately reduce the PFD on which Alaskans depend and eliminate the PFD payback. He said Alaskans have ceased to trust the legislature's actions regarding the PFD. He maintained that HJR 18 would obstruct [Governor Michael J. Dunleavy's] agenda and hearten Senate Bill 26.

[3:44:51 PM](#)

BERT HOUGHTALING testified that under HJR 18, the legislature would continue to use the permanent fund and ERA to fund government expenses and continue its theft [of the PFD money]. He maintained that no resolution is worth passing if it doesn't seek to amend the constitution to protect the PFD in its original formula.

[3:46:25 PM](#)

INGRID PETERSON, Fox Creek Canyon Landowners Association, testified that the association objects to the lack of information and short timeline for testimony on HJR 18. She opined that more explanation and public input is needed when suggesting changes to the Alaska State Constitution.

[3:49:16 PM](#)

PAM GOODE testified that she and many others did not support Senate Bill 26; she does not support the POMV philosophy; and she does not support putting the ERA into the permanent fund. She stated that since the voters would have to approve the constitutional amendment under HJR 18, they would need to understand not only the original practices but the proposed practices, which would be a challenge. She maintained that the problem is not the permanent fund and the ERA but overspending by legislators. She offered that only the inflation-proofing of the fund needs attention.

[3:52:09 PM](#)

TRISHA PEARSON testified that she has many questions about the proposed resolution and expressed her belief that more education of the public is needed before passing a resolution calling for a constitutional amendment.

[3:53:33 PM](#)

VIKKI JO KENNEDY testified that she opposes the passage of any confusing resolutions for constitutional amendments.

[3:54:59 PM](#)

ADAM HYKES testified that it would be an accounting blunder to think that Alaska can spend down the permanent fund to fix a spending problem. He expressed that "Alaska voted loud and clear on the PFD issue," and members lost their seats in the legislature because of it. He stated, "We want our PFD back, and it was taken from us, and there is no trust between us and government until that is paid back and trust is restored."

[3:56:08 PM](#)

LARRY SLONE testified that he supports locking up the ERA into the permanent fund and, thereby, making it inaccessible to the legislature. It would prevent the legislature from depleting

the permanent fund; a 5 percent POMV draw would still provide a reasonable dividend. If the government needs more money, it would just have to go through the process of taxing individual citizens, and consequently it would be more difficult for the legislature to waste money.

[3:57:25 PM](#)

GARY MCDONALD expressed that the legislators should leave the permanent fund alone and "give us what we deserve."

[3:58:07 PM](#)

CO-CHAIR FIELDS closed public testimony on HJR 18. He explained that HJR 18 would not change the statute with respect to disbursement of PFDs; it does not limit or change the legislature's ability to raise revenue; it does protect the value of the permanent fund and, therefore, the ability to pay out PFDs indefinitely into the future by preventing the liquidation of a significant part of the permanent fund.

REPRESENTATIVE STORY commented that each year every \$1 billion invested yields Alaska about \$100 million; therefore, being able to build and preserve the ERA along with the corpus would keep a long-term permanent fund and ultimately the statutory formula PFD.

CO-CHAIR FIELDS added that draining the permanent fund locks Alaska into a death spiral in which the state could only pay out smaller and smaller PFDs over time.

[HJR 18 was held over.]

HJR 5-CONST. AM: STATE TAX; INTIATIVE
HJR 6-CONST. AM.:PERMANENT FUND & DIVIDEND
HJR 7-CONST AM:APPROP. LIMIT; RESERVE FUND

[3:59:52 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 5, Proposing amendments to the Constitution of the State of Alaska prohibiting the establishment of, or increase to, a state tax without the approval of the voters of the state; and relating to the initiative process and HOUSE JOINT RESOLUTION NO. 6, Proposing amendments to the Constitution of the State of Alaska relating

to the Alaska permanent fund and the permanent fund dividend and HOUSE JOINT RESOLUTION NO. 7, Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; relating to the budget reserve fund and establishing the savings reserve fund; and relating to the permanent fund.

[4:00:03 PM](#)

MIKE BARNHILL, Director of Policy, Office of Management & Budget (OMB), Office of the Governor, on behalf of the House Rules Standing Committee, sponsor of HJR 5, HJR 6, and HJR 7, by request of the governor, relayed that the three resolutions comprise Governor Michael J. Dunleavy's proposal to the legislature to amend the Alaska State Constitution in three separate vehicles to provide for long-term fiscal stability and sustainability. He stated that HJR 5 and HJR 6 are both examples of direct democracy. The proposal under HJR 5 stipulates that whenever the legislature enacts a tax or an increase to the rate of a tax, a vote of the people would be required.

REPRESENTATIVE LEDOUX referred to Mr. Barnhill's statement that the proposed resolutions are examples of direct democracy. She opined that HJR 5, Section 1(b) is an example of direct democracy; however, Section 1(c) is the converse of direct democracy in that any law enacted by the voters through initiative must be approved by the legislature. She added that she supports Section 1(b) but does not believe Section 1(c) to represent direct democracy.

MR. BARNHILL responded that there are two elements to HJR 5: When the legislature enacts a tax or an increase in the rate of an existing tax, it would require a vote of the people. Section 1(c) is the converse of 1(b). When people initiate a tax or an increase in the rate of an existing tax, which is an example of direct democracy, the tax question comes back to the legislature for approval. He maintained that both are uses of direct democracy and already exist in the constitution. He stated that when the legislature enacts any law, under the constitution the people have the right through the referendum process to consider it and reject it. Conversely, under the constitution, if the people were to initiate and enact any law, the legislature can amend it immediately but can't repeal it for two years. The change proposed under HJR 5 involves allowing the legislature to reject a voter-initiated law during the next legislative session, rather than waiting two years.

REPRESENTATIVE LEDOUX maintained that what Mr. Barnhill described is not exactly direct democracy. She asked for confirmation that the legislature's amendment to a voter-initiated law cannot constitute a substantial change to the initiative.

MR. BARNHILL responded that there are court cases that attempt to define the line between an amendment and a repeal of a voter-initiated law. He added that the court looks at whether substantively the amendment amounts to a repeal. He maintained that Section 1(c) is absolutely an example of direct democracy but would tighten the timelines for the legislature to reject a voter-initiated law.

CO-CHAIR FIELDS asked whether a legislature that did not want to approve a voter-initiated tax would need to vote on it or whether the tax would die through legislative inaction.

MR. BARNHILL stated that under HJR 5, the legislature would need to act on the law before it is approved; no action would constitute a "pocket veto" of the law. He added that the companion resolution, SJR 4, was changed by the Senate Judiciary Standing Committee to a "pocket passage" approach to address concerns that the other approach could potentially reduce the power of the people to initiate a tax law.

[4:05:44 PM](#)

MR. BARNHILL reminded the committee that HJR 6 was discussed in the 4/25/19 House State Affairs Standing Committee meeting. He maintained that HJR 6 is also an example of direct democracy; it proposes that any change in the calculation of the permanent fund dividend (PFD) in statute would also be considered by the people. He continued by saying that HJR 7 is an appropriation limit proposal. He offered that together the three resolutions form Governor Dunleavy's core legislative agenda for the current session; the governor feels very strongly about allowing the people the opportunity to consider each of these [proposed] amendments to the constitution separately in order to achieve fiscal stability and fiscal sustainability in the state.

MR. BARNHILL stated that HJR 5 is referred to in other states as the taxpayer bill of rights; it is inspired by Colorado's example, in which the people initiated a change to the Colorado State Constitution in 1992 requiring a vote of the people any time there is a change to a tax. He mentioned other states with similar provisions: The State of Missouri enacted an amendment

to the Missouri State Constitution requiring a vote of the people any time there was a tax or fee that increased revenues by more than \$50 million or the inflation-adjusted value. The State of Washington has a constitutional provision requiring a vote of the people for property taxes at the local level that are in excess of 1 percent of property values. California's constitution also requires a vote of the people at the local level.

REPRESENTATIVE LEDOUX suggested that western states, rather than eastern states, have the initiative process. She asked whether any of the states that Mr. Barnhill mentioned allowing taxation through the initiative process have provisions requiring the legislature to approve the taxes - ether implicitly or explicitly.

MR. BARNHILL responded that he did not know but could research that.

[4:09:06 PM](#)

WILLIAM MILKS, Senior Assistant Attorney General, Legislation & Regulations Section, Civil Division (Juneau), Department of Law (DOL), on behalf of the House Rules Standing Committee, sponsor of HJR 5, by request of the governor, paraphrased from the sectional analysis, which read as follows [original punctuation provided]:

Section 1: This section would add two new subsections to the tax clause of the Alaska Constitution. Taken together, the two subsections would require that any new state tax or increase to the rate of an existing state tax be approved by both the legislature and the voters.

Subsection (b) would require that any law enacted through the legislative process that would establish a new state tax or increase the rate of an existing state tax shall not take effect unless the voters approve the proposed law in the next statewide election. If the voters approve the proposed law, it would take effect 90 days after the election was certified.

Subsection (c) would require that any law proposed for enactment through the initiative process and approved by the voters that would establish a new state tax or

increase the rate of an existing state tax shall not take effect unless the legislature, by resolution, approved the initiated measure by the end of the next regular session. The legislature would have to approve it by majority vote in a joint session. If the legislature approved of the initiated measure, it would take effect 90 days after the legislature's approval.

Section 2: This section would make a conforming change to the initiative process in Section 6 of Article XI, providing an exception to the effective date requirements for initiatives.

Section 3: This section would require that this amendment be placed on the ballot in the 2020 general election.

CO-CHAIR FIELDS referred to a memorandum from Legislative Legal Services [dated 4/19/19], included in the committee packet, which suggested that HJR 5 is sufficiently sweeping to require a constitutional convention, because it constitutes a revision to the constitution and not an amendment.

MR. MILKS explained that the Department of Law (DOL) considers the proposed constitutional amendment to be an appropriate amendment, because the Alaska State Constitution already allows for the people or the legislature to enact laws, and processes exist for veto or override. He reiterated that since the state already has an initiative or referendum process, the amendment would not constitute a sweeping change. He mentioned that in the Alaska Supreme Court Case, Bess v. Ulmer [1991], cited in the memo, two of the three amendments considered were found to be appropriate amendments, and only one was found not to be appropriate; that amendment was a sweeping change to a large number of criminal defense rights.

CO-CHAIR FIELDS relayed the opinion from the Legislative Legal Services memorandum, dated 4/19/19, which read in part as follows:

Under art. XIII, sec. 1, Constitution of the State of Alaska, an *amendment* to the constitution may be made with a two-thirds vote of each house of the legislature and a majority vote of the electorate. Under art. XIII, sec. 4, a *revision* to the

constitution may only be made at a constitutional convention....

The amendment prevents the legislature from imposing new tax or increasing a tax without voter approval. The result will be a fundamental shift in the constitutional authority of the legislature to tax. As identified in *Bess [v. Ulmer]* the changes seem to 'substantially alter the substance and integrity of the state constitution as a document of independent force and effect....'

[4:13:39 PM](#)

REPRESENTATIVE WOOL mentioned that HJR 5 calls for any change to an existing tax to go to a vote of the people automatically. He stated that the referendum/ballot initiative process is difficult work as is the process of passing a bill. He expressed his belief that the only tax increase during his tenure in the legislature was the Spill Prevention and Response (SPAR) [surcharge of .0095 cent-per-gallon on refined fuel sold]. He asked whether under the proposed constitutional amendment, such a tax increase would need to go to a vote of the people.

MR. BARNHILL answered that he doesn't know whether the SPAR [surcharge] is a tax or a fee. He said that if it was a fee then it would not go to a vote of the people; if it was a tax then it would. He maintained that unlike Missouri, which puts taxes and fees to a vote of the people, the administration recognizes that putting every fee increase to the vote of the people could be burdensome; it would overload the ballot, requiring presentations on many issues. He offered that the proposed amendment is intended to divide taxes and fees.

MR. MILKS offered that the proposed amendment refers to changes in a tax or a fee. He relayed the definition of tax: a charge laid by government upon persons or property for public purposes. He said that in contrast, a user fee is a charge to someone for permission to do something or to be licensed for an occupation.

REPRESENTATIVE WOOL asked whether motor fuel tax is a fee or a tax.

MR. BARNHILL responded, "That is a tax." He said that if the legislature enacted into law a 5 percent increase, it would go to a vote of the people.

REPRESENTATIVE WOOL expressed his reluctance with the proposed amendment as follows: "If I ask my kid's class if they want ice cream every day for lunch, they're probably going to say 'Yes.' Do they really need ice cream every day for lunch? Probably not." He stated that he is not trying to be disrespectful to the public. He offered that if you ask a room full of people if they want to pay more for gas at the pump, they would say 'No'; however, he contended that the second half of the question - do you want your roads fixed? - is important. Going back to his earlier example, he said, "If I ask my kids, 'Hey, do you all want to have diabetes?' ... they're going to say 'No,' but the ice cream might dominate their mind." He said that it would be the same with the tax. He maintained that some of the taxes are complicated. When raising a tax, it is important to look at the totality of the state economy to understand the implication of the tax increase.

MR. BARNHILL responded that he acknowledges Representative Wool's concerns; however, he maintained that direct democracy is a part of Alaska's constitutional framework. He relayed that it is the administration's position that the issue of new taxes, increases in the rate of a tax, and the calculation of the PFD are sufficiently important issues that the people should be consulted. He mentioned that if the legislature enacts a tax, the people - with the tools currently available in the constitution - can put a referendum on the ballot. The proposed constitutional amendment "pre-packages" that process. He maintained that a new tax is important enough to warrant getting the public's view on it.

REPRESENTATIVE WOOL asked, "How easy do you want to make it?" He suggested that rejecting a law - that has been enacted through ballot initiative - by legislative inaction may be too easy. He mentioned the legalization of marijuana as an example and offered that perhaps the legislature should have to wait two years to repeal a law; if the law has been in effect for two years it may be impossible to repeal.

[4:20:23 PM](#)

CO-CHAIR KREISS-TOMKINS said that the terms "taxes," "fees," and "surcharges" are semantics used by politicians to frame an issue. He maintained that if the constitution is amended based on one of these terms at the exclusion of the others, the substantive difference between them is very important. He said that all money raised from taxes, fees, or surcharges end up in

the general fund (GF). He requested in writing an interpretation of how the three will be distinguished from one another.

REPRESENTATIVE LEDOUX stated that last year the legislature eliminated some oil tax credits. She asked whether eliminating oil tax credits would be considered a change in taxes requiring a vote of the people.

MR. MILKS responded that the intent of HJR 6 is that the constitutional amendment would be drafted such that a new tax or change in the rate of a tax would go to a vote of the people; a change in deduction would not go to a vote of the people. In response to Representative Kreiss-Tompkins he stated that in interpreting constitutional amendments, the Alaska Supreme Court will look at the records of the committees and the understanding of the legislators and the people. He reiterated that the constitutional amendment proposal refers to taxes as understood by the Alaska Constitutional Convention - a charge laid by government upon persons or property for public purposes - which refers to property, sales, and income taxes levied by the state. He asserted that this understanding of taxes contrasts with fees - the permission to do something - or licenses - such as an occupational license.

REPRESENTATIVE LEDOUX conjectured that among the states that have constitutional caps on taxes, fees, or both, people would not vote to raise their taxes very often. She mentioned that most states don't have a permanent fund like Alaska and asked how the states pay for their core services.

MR. BARNHILL answered that the states that he referred to do not have constitutional caps; and they have constitutionally required referendums. He stated that in Colorado since 1992 there have been just over a dozen taxes proposed by the legislature; of those, there was an increase in the cigarette tax rate, an enactment of a marijuana tax, and an increase in the rate of the marijuana tax. All three were approved by a vote of the people. He added that it is not impossible for new taxes to become law in Colorado, but it is clearly more difficult.

REPRESENTATIVE LEDOUX expressed her understanding that Colorado's constitutional provision does not apply to fees, and there has been a hefty increase in fees since the constitutional provision went into effect.

MR. BARNHILL replied that he did not have information on the increase in fees in Colorado; however, he confirmed that fees are excluded from the Colorado constitutional amendment. He added that there has been litigation and [Colorado] Supreme Court decisions to distinguish fees from taxes.

[4:26:01 PM](#)

CO-CHAIR FIELDS stated that he does not support the proposed amendments and believes that they represent a backdoor attempt to defund core services; defunding of services is wildly unpopular in the state of Alaska. He maintained that evidence from around the country demonstrates that when such provisions are adopted in other states, it leads to dramatic declines in funding for education, higher education, and other core services. He asserted that if those are the decisions that Alaska wishes to make, it should make them in a straightforward manner and not through a backdoor effort.

[4:27:01 PM](#)

The committee took an at-ease from 4:27 p.m. to 4:29 p.m.

[4:28:41 PM](#)

ED KING, Chief Economist, Office of Management & Budget (OMB), Office of the Governor, on behalf of the House Rules Standing Committee, sponsor of HJR 7, by request of the governor, presented HJR 7 with the use of a PowerPoint presentation, entitled "House Joint Resolution 7 Appropriation Limit." He referred to a description of the current constitutional spending limits on slide 2, entitled "Current Constitutional Spending Limit (Article 9, Section 16)," and relayed that the limit was set at \$2.5 billion in 1982, allowing for adjustments for inflation.

MR. KING pointed out that slide 3, entitled "UGF Spending and Limit History (Inflation Adjusted)," shows a graphic representation of how the current spending and spending limit interact. He stated that in the early 1980s, there was a massive increase in revenue from oil with a corresponding increase in spending; in 1982 a limit was set due to excess spending. He maintained that the limit was not effective when oil revenues spiked again, as shown on the right side of the graph; it did not prevent the growth of government.

MR. KING moved on to slide 4, entitled "What if the Proposed Spending Cap Passed before Oil Prices Spiked?" which demonstrates the current spending limit versus the proposed spending limit; it reveals that if the proposed limit had been in place, \$29 billion would not have been spent; and that amount invested would have generated an additional \$5-6 billion in the POMV rather than the current \$3 billion.

MR. KING turned to slide 5, entitled "Sources of UGF Spending Growth," to point out the sectors in which the growth [of government] occurred in the years surrounding 2010.

[4:30:31 PM](#)

CORI MILLS, Senior Assistant Attorney General, Labor and State Affairs Section, Department of Law (DOL), on behalf of the House Rules Standing Committee, sponsor of HJR 7, by request of the governor, continued with slide 6, entitled "Appropriation Limit (SJR 6/HJR 7)," to point out that the current constitutional appropriation limit has not worked to create an actual limit for spending. She stated that the Constitutional Budget Reserve Fund (CBRF) was created to be used during Alaska's "down time"; however, over the past four years, the legislature has not been able to access the CBRF by a majority vote to fill a fiscal gap, because the Alaska Supreme Court determined that the legislature must first take into account the earnings reserve account (ERA), and the ERA has always had enough to cover the budget.

MS. MILLS referred to slide 7, entitled "Appropriation Limit: Section 1(a)," and relayed that the current appropriation limit is \$2.5 billion plus inflation; the goal under HJR 7 is to make the limit more meaningful and impactful by tying it to spending. She reviewed slide 7, which read as follows:

- Appropriation Limit -- "Appropriations made for a fiscal year **shall not exceed** the average of the appropriations made in the previous three fiscal years by more than **fifty percent of the cumulative change in population and inflation since January 1 of the previous calendar year**, derived from federal indices as prescribed by law, **or two percent, whichever is less.**"
 - o Provides a **list of exceptions** for spending that falls outside the appropriation limit cap

- o Examples: permanent fund dividends and money placed in the fund; money for disasters; obligations and proceeds from G.O. bonds and revenue bonds
- o Most substantial change from existing exceptions-- **capital spending is not an exception** and falls within the appropriation limit cap

MS. MILLS turned to slide 8 for a graphic illustrating expenditures that would fall within the limit and are capped by the limit and the expenditures that would fall outside the limit - the PFD, federal receipts, and other trust monies that must be spent for specific purposes. She explained that the proposed exclusions are currently exceptions within the constitutional appropriation limit except for capital spending, which is currently an exception but would not be under HJR 7.

MS. MILLS moved on to slide 9, entitled "Appropriation Limit: Section 1(b) and (c)," to describe the new "savings waterfall" under HJR 7. Slide 9 read as follows:

- Excess revenues would automatically be deposited into savings accounts in priority order

Total amount in general fund that is "unexpended, unobligated, and unappropriated" (i.e., excess revenues)

Priority #1: Pay back the permanent fund principal 50% of the income that was deposited into the ERA that fiscal year

Priority #2: [if money remains after priority #1] Get savings reserve fund balance up to appropriation limit (formerly the CBR)

Priority #3: [if money remains after priority #2] Put money into permanent fund principal to continue growing the fund

MS. MILLS referred to slide 10, entitled "Appropriation Limit: Sections 2,3, and 5," to relay that under HJR 7 the CBRF would get a new name, [savings reserve fund]; the Senate [Judiciary Standing Committee] removed that provision [from the companion resolution, SJR 6, during the 4/1/19 meeting]. She reviewed the left side of slide 10 as follows: The existing CBRF is funded

by tax and royalty settlements, which can be spent by a three-quarters vote [of the legislature]. All the money available in GF is to be returned to CBRF - pursuant to Article IX, Section 17(d), of the Alaska State Constitution - which is known as "the sweep." The repayment via the sweep has not occurred, because the legislature has used the three-quarters vote to return the money to GF, a process known as the "reverse sweep."

MS. MILLS turned to the right side of slide 10 to relay the proposal under HJR 7 as follows: Tax and royalty settlements would still go into the savings reserve fund (formerly the CBRF). A portion of excess revenues, mentioned on slide 9, would also go into the savings reserve fund. The sweep and the [need for a] three-quarters vote would be eliminated; however, the legislature, by majority vote, would be able to access the savings reserve fund to fill the gap between what is available in the GF for appropriation up to the appropriation limit. She maintained that between the changes to the CBRF and the appropriation limit, the two would work more in harmony together, create a more effective cap on government spending, and create a more sustainable savings model.

[4:36:03 PM](#)

CO-CHAIR FIELDS opened public testimony on HJR 5, HJR 6, and HJR 7.

[4:36:18 PM](#)

JUSTIN PARISH testified that although HJR 5 is being "sold" as direct democracy, it is an unprecedented attack on the power of the initiative process, which is direct democracy. He mentioned that Colorado's taxpayer bill of rights does not restrict initiatives at all. He stated that if most of Alaska voters want one thing and have put tremendous sacrifice and work into achieving it through the initiative process, the legislature should listen and not prevent it by way of a pocket veto. He offered that to not include tax decreases in the proposed amendment suggests that the administration does not want to take the risk of the public asking to decrease taxes, for example, on the oil industry. He maintained that the goal of HJR 5 is to prevent the public weighing in on oil taxes. He stated that last year ConocoPhillips Alaska, Inc. paid an effective tax rate of -7.7 percent to Alaska as a production tax, and he asked how the public is supposed to respond to that. He reiterated that the proposed amendment under HJR 5 would "tie the public's hands" and prevent it from trying to get a fair deal. He added

that also it would prevent the public from saying, "No, I want to pay for my schools."

MR. PARISH continued by testifying that the proposed amendment under HJR 7 would thwart the state's ability to pay for all of the state functions that the public wants, including care for Alaska elders; it would result in an approximately 19 percent cut across the board over the next 20 years.

[4:39:35 PM](#)

JOE GELDHOF, Board Member, Permanent Fund Defenders, testified that the mission of the Permanent Fund Defenders is to protect and defend the permanent fund and the PFD. He maintained that the PFD is not a welfare program; it is an equal portion of the interest of the citizens' permanent fund paid out as a dividend; and it has been very good at diversifying Alaska's economy and lifting people out of poverty.

MR. GELDHOF continued by saying that the group supports requiring a vote of the people to change the current PFD statutory formula; however, it believes that the eligibility requirement of the PFD program and the payment schedule should be left in statute. He concluded by saying that the statutory formula has worked very well to protect the permanent fund over the past four decades.

[4:43:19 PM](#)

LAURA BONNER testified that the proposed amendment under HJR 5 would preempt the duty of legislators. She maintained that the legislature has access to much more information for analysis than the voters on what the state needs to maintain the roads and fund education and services. She stated that she has friends in Colorado who say that the roads are terrible; Colorado has problems funding core services such as roads and education.

MS. BONNER maintained that funding the PFD is important; however, she opined that the proposed amendment under HJR 18 would be more effective in that regard than the one under HJR 6. She continued by saying that she is very disturbed by HJR 7. She maintained that the analysis of the appropriation limit under SB 104 revealed a troubling short-term budget outcome. She expressed that she did not support eliminating the CBRF. She emphasized that there is not enough analysis of all three resolutions for committee or public vote.

[4:46:19 PM](#)

PAT KEHOE PENDELL expressed her belief that HJR 5 constitutes an unnecessary impediment to providing needed tax revenues. She maintained that an initiative that the people have been able to get passed would be removed from direct democracy if subject to legislative pocket veto. She stated that she is in favor of funding stability, however, believes that the proposal under HJR 5 would make it more difficult for the state to fund core services. She asserted that the public would seek to increase the amount of the PFD rather than realizing the value to themselves and their community of the services that have historically been provided by the State of Alaska. She added that she believes that Alaska needs a state income tax, and HJR 5 would make it more difficult to achieve that goal.

[4:47:59 PM](#)

ROBERT HALL attested to the fact that the legislature faces a difficult challenge: balancing the budget, paying the PFD, and providing for long-term fiscal stability that would be approved by Alaskan voters. He advocated for putting an advisory resolution on the ballot to give the voters an option of approving a package of proposals that would give the legislature guidance. The proposal would include a two-part revision to the PFD formula: 1) a \$6,700 PFD for this year, and 2) a revised future total payment of the PFD to a minimum of 1 percent of the total value of the permanent fund - \$1,000. He stated that the governor proposes no revisions to the PFD without a vote of the people; this would be the vote. He urged allowing the people to vote on a proposal package to give the legislature direction, guidance, and approval to pass all the constitutional amendments and revisions to the permanent fund. He maintained that making this year's PFD \$6,700 would ensure passage and provide for fiscal stability for the subsequent 20 years.

[4:49:56 PM](#)

BRIAN LYNCH testified that the intent of the proposed constitutional amendments is to put Governor Dunleavy's fiscal agenda into the constitution and once in place, would be extremely difficult to remove should the necessity arise. He mentioned that the referendum process is extremely difficult and expensive for individual residents of Alaska to accomplish. He stated that he is in favor of leaving the fiscal decisions to the duly elected legislators, and if a person does not like the

decisions, he/she has the constitutional right to express his/her displeasure by voting the member out of office.

[4:51:35 PM](#)

ADAM HYKES testified that he supports Section 1(b) of HJR 5 but not Section 1(c); he stated that he is opposed to allowing the legislature to stonewall the will of the people through action or inaction. He expressed his belief that the PFD needs to be constitutionally protected, as proposed under HJR 6. He stated that he supports the three-year average spending limit under HJR 7.

[4:52:50 PM](#)

LARRY SLONE expressed his belief that the proposed constitutional amendment under HJR 5 would defund core services - basic infrastructure and public safety. He opined that not allowing the state to tax its citizens amounts to "slitting our own throat." He said that that he concurs with Governor Jay Hammond, who said that the silliest thing he did as a governor was to allow the income tax to be rescinded. He offered that the public has an obligation to pay attention to money spent by the state and the services provided; he maintained that taxing the residents will encourage this as well as force efficiencies. He continued by saying that paying out a full PFD under the current formula as proposed under HJR 6 would result in the legislature raiding the ERA to fund state services, which would ultimately gut the future value of the permanent fund. He opined that under HJR 7, the permanent fund would be built up with excess revenues and would force budget efficiencies by the legislature.

[4:54:30 PM](#)

GENE WHITE testified that in Alaska's form of representative government, the voters elect legislators to make large and small decisions. The decisions do represent the will of the people, or the legislators would not have been elected; and the people can enact changes through the initiative process. He maintained that the three proposed resolutions express that the administration does not trust the future will of the people through their elected representatives, and what is known today is good for all the future. He asserted that the legislature must have the ability and the flexibility to deal with situations as they arise.

[4:56:06 PM](#)

CRIS EICHENLAUB testified that he supports the governor's plan to follow the statutory formula for the PFD and the wording in HJR 6, page 1, lines 14-15, which read, "a portion of the income from the permanent fund shall be transferred solely for a program of dividend payments to state residents...." He maintained that it is the intent of the governor to restore integrity to the state through the three resolutions so that entities will want to do business with the state. He maintained that legislators found a way to circumvent the law and as a result, people didn't get PFD money they were due. He stated that the money is in the ERA and could be paid out today.

[4:58:53 PM](#)

DEBORAH HOLLAND testified that legislators should talk about the fund "properly" instead of referring to the permanent fund as if it was their personal bank account.

CO-CHAIR FIELDS closed public testimony on HJR 5, HJR 6, and HJR 7. He stated that HJR 5, HJR 6, and HJR 7 would be held over.

[4:59:38 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 5:00 p.m.