

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

March 12, 2020

3:00 p.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Jonathan Kreiss-Tomkins, Co-Chair
Representative Grier Hopkins
Representative Andi Story
Representative Steve Thompson
Representative Sarah Vance
Representative Laddie Shaw

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 307

"An Act relating to living conditions for prisoners."

- MOVED CSHB 307(STA) OUT OF COMMITTEE

HOUSE BILL NO. 285

"An Act relating to the Alaska Coordinate System of 2022."

- MOVED HB 285 OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 31

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 BILL NO. 190

"An Act relating to allowable absences for a permanent fund dividend; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 307

SHORT TITLE: EXPANDING PRISONER ACCESS TO COMPUTERS
SPONSOR(s): STATE AFFAIRS

03/05/20 (H) READ THE FIRST TIME - REFERRALS
03/05/20 (H) STA, JUD
03/10/20 (H) STA AT 3:00 PM GRUENBERG 120
03/10/20 (H) Heard & Held
03/10/20 (H) MINUTE(STA)
03/12/20 (H) STA AT 3:00 PM GRUENBERG 120

BILL: HB 285

SHORT TITLE: ALASKA COORDINATE SYSTEM OF 2022
SPONSOR(s): SHAW

02/24/20 (H) READ THE FIRST TIME - REFERRALS
02/24/20 (H) STA, RES
03/10/20 (H) STA AT 3:00 PM GRUENBERG 120
03/10/20 (H) Heard & Held
03/10/20 (H) MINUTE(STA)
03/12/20 (H) STA AT 3:00 PM GRUENBERG 120

BILL: HJR 31

SHORT TITLE: CONST AM: PERMANENT FUND; POMV; EARNINGS
SPONSOR(s): STATE AFFAIRS

03/05/20 (H) READ THE FIRST TIME - REFERRALS
03/05/20 (H) STA, JUD, FIN
03/12/20 (H) STA AT 3:00 PM GRUENBERG 120

WITNESS REGISTER

KELLY HOWELL, Special Assistant to the Commissioner
Department of Corrections (DOC)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 307.

LAURA BROOKS, Health Care Administrator
Division of Health and Rehabilitation
Department of Corrections (DOC)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 307.

JOSHUA WALTON, Staff
Representative Laddie Shaw
Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions on behalf of Representative Shaw, prime sponsor of HB 285.

GWEN GERVELIS, Surveys Manager
Division of Mining Land and Water
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 285.

ACTION NARRATIVE

[3:00:32 PM](#)

CO-CHAIR ZACK FIELDS called the House State Affairs Standing Committee meeting to order at 3:00 p.m. Representatives Shaw, Hopkins, Thompson, Fields, and Kreiss-Tomkins were present at the call to order. Representatives Vance and Story arrived as the meeting was in progress.

HB 307-EXPANDING PRISONER ACCESS TO COMPUTERS

[Contains discussion of SB 209.]

[3:01:26 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 307, "An Act relating to living conditions for prisoners."

[3:02:01 PM](#)

CO-CHAIR KREISS-TOMKINS moved to adopt Amendment 1, Version 31-LS1663\A.2, Radford, 3/12/20, which read:

Page 3, lines 8 - 9:

Delete "and reintegration into society"

Insert "or the prisoner's compliance with a reentry plan or case plan developed under AS 33.30.011"

Page 3, lines 11 - 12:

Delete "as part of a reentry plan or case plan developed under AS 33.30.011"

Insert "health care"

REPRESENTATIVE THOMPSON objected for discussion purposes.

CO-CHAIR FIELDS relayed that it is important for people reentering society to use a computer to access "health care" to maintain health coverage, for addiction treatment, and to sign up for Medicaid [health care insurance].

CO-CHAIR KREISS-TOMKINS asked for the position of the Department of Corrections (DOC) on the proposed amendment.

[3:03:03 PM](#)

KELLY HOWELL, Special Assistant to the Commissioner, Department of Corrections (DOC), responded that it was DOC's intent that HB 307 include situations such as application for health benefits.

REPRESENTATIVE HOPKINS asked whether subparagraph (I) [page 3, lines 6-13, of HB 307] would apply to obtaining an identification (ID).

MS. HOWELL replied that obtaining an ID is not addressed in the proposed legislation; however, there are other sections in statute allowing for DOC to assist reentering offenders with obtaining a state ID. She mentioned a Senate bill [SB 209] that proposes requiring collaboration between the Department of Administration (DOA) and DOC.

REPRESENTATIVE THOMPSON offered his understanding that Medicaid does not cover inmates in a prison facility but does if they are hospitalized.

[3:05:09 PM](#)

LAURA BROOKS, Health Care Administrator, Division of Health and Rehabilitation, Department of Corrections (DOC), answered that he is correct that federal regulation does not allow DOC to charge for inmate health care unless the inmate is admitted to a hospital for 24 hours or more. She stated that under Amendment 1, DOC could assist inmates with applying for Medicaid as part of their reentry plans. Currently offenders fill out paper applications 30 days prior to release; this causes a backlog for the Department of Health and Social Services (DHSS), since Medicaid applications are typically now electronic. Amendment 1 would allow offenders to submit an electronic application for Medicaid while they are incarcerated, alleviating the DHSS backlog.

REPRESENTATIVE THOMPSON removed his objection to Amendment 1. There being no further objection, it was so ordered.

MS. HOWELL, in response to Representative Kreiss-Tomkins, confirmed that SB 207 is the bill before the Senate that would foster greater collaboration between DOC and DOA for securing IDs for inmates upon release.

CO-CHAIR FIELDS asked how extensive the bill language is regarding coordination with DOA.

MS. HOWELL explained that SB 207 would require DOA to mail to a DOC facility - at the applicant's request - an ID or driver's license; it would require the two departments to collaborate in good faith to ensure that an inmate, who is sentenced to an active term of imprisonment of 120 days or more, is provided with a state ID card prior to release. She maintained that DOA and DOC have been working towards this collaboration and will continue to support it.

CO-CHAIR FIELDS asked whether corresponding language should be added to HB 307.

MS. HOWELL opined that the department would not be opposed to inserting such language.

[3:09:14 PM](#)

CO-CHAIR FIELDS opened public testimony on HB 307. After ascertaining that there was no one who wished to testify, he closed public testimony.

REPRESENTATIVE VANCE expressed her appreciation to the department for addressing her concerns.

REPRESENTATIVE STORY offered her support for HB 307.

[3:10:21 PM](#)

CO-CHAIR KREISS-TOMKINS moved to report HB 307, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 307(STA) was reported from the House State Affairs Standing Committee.

[3:10:48 PM](#)

The committee took an at-ease from 3:10 p.m. to 3:13 p.m.

HB 285-ALASKA COORDINATE SYSTEM OF 2022

[3:13:23 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 285, "An Act relating to the Alaska Coordinate System of 2022."

REPRESENTATIVE HOPKINS asked whether Representative Shaw's staff consulted surveyors or others who would be using the updated Alaska Coordinate System.

[3:14:12 PM](#)

JOSHUA WALTON, Staff, Representative Laddie Shaw, Alaska State Legislature, replied that he heard from the an Alaska professional organization for land surveyors, that expressed having no issue with the bill but did point out that the language in the bill defines an American foot as a unit of measurement, which is different than an international foot. The difference is slight but could be significant when working with surveys of a large size.

REPRESENTATIVE VANCE asked for clarification on the software implementing the transition to the updated system.

MR. WALTON answered that the coordinate system is being developed by the National Geodetic Survey (NGS); the proposed legislation would make it possible for state agencies to adopt the latest version. Alaska's existing equipment already can identify coordinates using the new plane coordinate system; the transition is expected to be smooth.

REPRESENTATIVE VANCE asked when the software would be available.

[3:17:37 PM](#)

GWEN GERVELIS, Surveys Manager, Division of Mining Land and Water, Department of Natural Resources (DNR), responded that the software vendors are currently working with NGS to provide the needed transition. They are pre-beta testing it; when the coordinate system is rolled out in January 2022, the software will be available. She added that users will access the functions through drop-down menus, like they do now for the 1983 system.

REPRESENTATIVE VANCE asked whether there would be an additional cost to the state.

MS. GERVELIS answered no.

[3:18:40 PM](#)

CO-CHAIR FIELDS opened public testimony on HB 285. After ascertaining that there was no one who wished to testify, he closed public testimony.

[3:19:07 PM](#)

CO-CHAIR KREISS-TOMKINS moved to report HB 285 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HB 285 was reported from the House State Affairs Standing Committee.

[3:19:34 PM](#)

The committee took an at-ease from 3:19 p.m. to 3:23 p.m.

HJR 31-CONST AM: PERMANENT FUND; POMV; EARNINGS

[3:22:43 PM](#)

CO-CHAIR FIELDS announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 31, Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to appropriations from the Alaska permanent fund.

[3:22:57 PM](#)

CO-CHAIR KREISS-TOMKINS, as prime sponsor of HJR 31, relayed that the proposed resolution is for a constitutional amendment pursuant to a resolution from the Alaska Permanent Fund Corporation (APFC) board of trustees stating support for an endowment model, which would constitutionally protect the entirety of the permanent fund under the percent of market value (POMV) structure. It would protect the permanent fund from being overspent unsustainably.

CO-CHAIR KREISS-TOMKINS mentioned the committee substitute (CS) for HJR 31, which contains some language changes recommended by APFC and includes an "escape hatch" allowing an unsustainable

amount of money - greater than the 5 percent POMV - to be withdrawn in one year with a five-sixths "super majority" vote. The motive behind that provision is that in only the most extraordinary and exceptional of circumstances should the legislature be allowed to overspend.

CO-CHAIR FIELDS confirmed for Representative Vance that the CS is Version 31-LS1566\S, Nauman, 3/11/20.

[3:25:28 PM](#)

The committee took a brief at-ease.

[3:27:48 PM](#)

CO-CHAIR FIELDS moved to adopt the CS for HJR 31, Version 31-LS1566\S, Nauman, 3/11/20, as the working document. There being no objections, Version S was before the committee.

CO-CHAIR KREISS-TOMKINS confirmed for Representative Thompson that the intent of the proposed resolution is to constitutionally protect the whole permanent fund, and a five-sixth vote would be needed to withdraw more than the 5 percent POMV in exceptional circumstances.

REPRESENTATIVE THOMPSON expressed that in Alaska's present fiscal situation, he does not want to see the legislature prevented from providing public safety and health by a requirement of 34 House members and 17 Senate members voting to withdraw funds.

CO-CHAIR KREISS-TOMKINS responded that the alternative is spending down the permanent fund itself - the ultimate "kicking the can down the road." In the present situation, the legislature has a variety of options available to it - cutting the budget, raising revenues, or through a bond. He declared that the issue is whether the permanent fund is regarded as permanent or whether it is regarded as a saving account that can be spent down. Unless the legislature decides that the permanent fund is not a savings account that can be spent down, then it probably will be. Future generations of Alaskans will be in a far worse position than current Alaskans.

REPRESENTATIVE THOMPSON stated that there are ways for the permanent fund corpus to be drawn down. The federal government could require the state pay retirement to employees and, thus, demand that the state pay it out of the principle. He expressed

that the voting threshold would be a "steep climb" in a dire situation.

CO-CHAIR KREISS-TOMKINS responded that even providing an escape hatch as described in Version S is very lenient. In his discussions with APFC, the preference is that there be no escape hatch and that the permanent fund be regarded as a true endowment to be managed for intergenerational equity for long-term benefit to the state. He maintained that the proposed constitutional amendment would force the legislature to balance the state budget with some combination of cuts, spending, and raising revenues, but not with the permanent fund.

[3:33:45 PM](#)

CO-CHAIR FIELDS asked whether the proposed amendment would put a strict spending cap in the constitution.

CO-CHAIR KREISS-TOMKINS answered that it would be a supply-side spending cap instead of the permanent fund being a "spigot" of cash to be opened unsustainably. It would put the legislature within the confines of a sustainable draw from the permanent fund. He added, "Two-thirds to three-quarters of all general fund (GF) revenue, it already is at present, at least in the current operating budget, so it effectively would constitute a spending cap for that two-thirds to three-quarters of the budget.

[3:35:06 PM](#)

REPRESENTATIVE VANCE cited the APFC resolution [Resolution 20-01, 2a], which read in part: "The Board recommends having a mechanism built into state law that would require APFC to revisit this return assumption every few years" She maintained that locking the 5 percent POMV draw into the constitution would ignore the request of the APFC and raise concerns over the sustainability of the fund over the long term.

CO-CHAIR KREISS-TOMKINS questioned the understanding of the legislature of "real value" versus "nominal value" of the state's funds and management of those funds. He said that the 5 percent POMV draw reflects the preponderance of analysis and legislator and public comment. He noted that the legislature is not required to draw the full 5 percent, but probably always will do so to balance the budget. He stated that nominally the value of the fund grows, but in real terms - in 2020 dollars - it shrinks over time. He maintained that the legislature must

confront the question: "Are we going to manage the permanent fund for growth - for real growth, not just nominal growth - or are we, the legislature, going to manage the fund and just maintain it?" He said that the 5 percent draw is the "maintenance" option; a lower draw, such as 4.75 percent, provides for growth in real terms. He expressed that he prefers short-term pain and long-term gain, that is, a smaller draw to manage the fund for growth in the long term.

CO-CHAIR KREISS-TOMKINS pointed out that the APFC resolution addresses earnings reserve account (ERA) shortfalls under the current fund structure; the proposed constitutional amendment would collapse the ERA and the principle together; therefore, there would be no more ERA shortfalls.

[3:41:14 PM](#)

REPRESENTATIVE VANCE referred to page 1, lines 5-6, of HJR 31, which read:

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payment and bonuses received by the State shall be placed in a permanent fund.

REPRESENTATIVE VANCE asked whether the sponsor had considered statutory royalty or any other percentage going into the corpus for the long-term growth of the fund.

CO-CHAIR KREISS-TOMKINS answered that the management of the permanent fund has evolved tremendously in the 40 years since inception. When the fund was first created, investment was very conservative and restrictive; only investment in bonds was allowed. Over the next 40 years, investments began to include stocks and private equity, and currently it has a massively diversified portfolio. With the initial investment constraints, having a principle and an ERA made sense. In the current context of how the APFC invests the money, that structure - of a principle and an ERA - no longer makes sense, which is why the APFC trustees passed Resolution 20-01.

CO-CHAIR KREISS-TOMKINS, in response to Representative Vance's question about depositing other revenue streams into the permanent fund, stated he has not explored that possibility. He suggested that the question relates to the larger issue: diverting funds from GF into the permanent fund presents challenges for funding education and public safety but would

enhance the permanent fund and its growth. It is a decision for the legislature.

[3:44:39 PM](#)

CO-CHAIR FIELDS offered that the declining oil revenue and the transition from oil revenue to revenue from permanent fund earnings presents a strong argument for growing the permanent fund now. He asked whether that assessment is a fundamental calculation in considering the POMV rate in the proposed resolution.

CO-CHAIR KREISS-TOMKINS suggested that the "maintenance versus growth" conversation has not occurred; the emphasis during the Thirtieth Alaska State Legislature [Senate Bill 26, signed into law 6/13/18] was to establish a POMV. He expressed that he subscribes to the approach that it is better to suffer from austerity in the short term for greater prosperity in the long term; therefore, a lower draw makes sense.

CO-CHAIR FIELDS expressed his preference that the fund grow to \$100 billion in real terms, recognizing that the share of the budget currently funded by the earnings would require that amount for Alaska to be fiscally independent. He posed the question: "How do you grow to that rate with the least economic damage now, maximizing the revenue potential now, which isn't intimately related to the oil industry?" He cited the declining oil industry and stated that Alaska's traditional revenue stream will not be available in 40 years; therefore, Alaska needs to be fiscally independent in 40 years. He mentioned the possibility of raising revenues from high-earning people now so that Alaska can be fiscally independent in the not-so-distant future. He suggested that as the oil industry declines, so do other revenue options such as income taxes.

CO-CHAIR KREISS-TOMKINS relayed that his outlook - independent of restructuring the permanent fund as recommended in the APFC resolution - is that "things are quite a bit worse than we think" as far as production from Alaska's oil fields, the uncertainty regarding the price of oil, the performance of oil stocks, and the emergence of renewable energy. He added that the state has been subsidizing the [operating] budget for the past six years by not passing a capital budget, which is wholly unsustainable in a state that is so infrastructure dependent. When the state again has capital expenditures, that will present another cash demand that the state has been evading. He

concluded that it is a difficult "math problem" which emphasizes the importance of taking a long-term view of the state's assets.

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CO-CHAIR FIELDS agreed with the importance of growing the permanent fund; it was set up to be the "renewable energy source for Alaska when oil was gone." That industry is aging, and Alaska has a dwindling number of years to build up the fund to provide fiscal sustainability. He mentioned two questions to be asked: Do we need the structure proposed under HJR 31 and can Alaska afford to pay any permanent fund dividend (PFD)?

REPRESENTATIVE HOPKINS stated that Resolution 20-01 from APFC presented two options and asked why Representative Kreiss-Tomkins chose option 1 over option 2. The first option was the constitutional amendment [described under 1a of the [APFC] resolution and proposed under HJR 31]. The second option was described under number 2 of the [APFC] resolution, which read in part:

2. Adjustments to the existing rules-based system governing fund transfers into and out of the Principal and ERA, ...

a. The Board recommends having a mechanism built into state law that would require APFC to revisit this return assumption every few years ...

b. To hedge this risk, the Board supports a change to the existing rules-based system to maintain a balance in the ERA of at least four times the expected annual POMV draw ("4X Buffer").

CO-CHAIR KREISS-TOMKINS expressed his understanding that the trustees preferred option 1 over option 2, but in the absence of 1, 2 is better than nothing. He said that he agrees with their assessment.

REPRESENTATIVE HOPKINS offered that option 1 does not require action by the legislature every year, but option 2 does.

REPRESENTATIVE VANCE asked whether, in addition to changing the constitution to combine the ERA with the corpus and adding the 5 percent POMV draw, the sponsor considered enshrining the PFD in the constitution as part of HJR 31.

CO-CHAIR KREISS-TOMKINS answered no. He said that he has supported doing so in past years and believes it to be the best solution to addressing the dividend; however, because there are so many diverse perspectives on the PFD, layering the dividend question on top of the question of protecting the permanent fund would create division, and it would be impossible to reach consensus.

REPRESENTATIVE VANCE suggested that linking the protection of the fund with the PFD would demonstrate to Alaskans that they would get their share of the resources while the state's portion is "wrapped up tight."

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CO-CHAIR FIELDS commented that he would like to see a modeling of lifetime earnings from the fund for individual Alaskans, comparing the rate of return through the permanent fund investments with the rate of return through investments available to individuals. He mentioned that he, himself, cannot earn at the same rate as the fund.

CO-CHAIR KREISS-TOMKINS offered that HJR 31 represents one of the most important questions that the legislature can broach and is very timely. In response to Representative Vance, he stated that there is broad agreement that the permanent fund should not be overspent; HJR 31 adheres to that principle rather than introducing other issues such as an income tax or the dividend.

CO-CHAIR FIELDS stated that HJR 31 would be held over.

[3:58:36 PM](#)

ADJOURNMENT

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at [3:58] p.m.