

SENATE FINANCE COMMITTEE
April 29, 2019
9:18 a.m.

9:18:02 AM

CALL TO ORDER

Co-Chair Steadman called the Senate Finance Committee meeting to order at 9:18 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Donny Olson
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Peter Micciche
Senator Mike Shower

ALSO PRESENT

Vikki Jo Kennedy, Self, Juneau; Senator Cathy Giessel;
Senator Mia Costello.

PRESENT VIA TELECONFERENCE

Adam Hykes, Self, Homer; Lynette Clark, Self, Fox; Cris Eichenlaub, Self, Eagle River; Herman Morgan, Self, Aniak; Rose Hubbard, Self, Anchorage; Catherine Felt, Self, Kenai.

SUMMARY

SB 10 EXTEND SUICIDE PREVENTION COUNCIL

SB 10 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note from the Department of Health and Social Services: FN 1(DHS).

SB 103 PFD APPROPRIATIONS

SB 103 was HEARD and HELD in committee for further consideration.

Co-Chair Stedman discussed housekeeping.

#sb10

SENATE BILL NO. 10

"An Act extending the termination date of the Statewide Suicide Prevention Council; and providing for an effective date."

[9:19:35 AM](#)

Co-Chair Stedman explained that the committee had heard the bill on April 24, 2019. There had been no proposed amendments or issues brought to the attention; public testimony was closed.

[9:20:33 AM](#)

Senator Wilson MOVED to report SB 10 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 10 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note from the Department of Health and Social Services: FN 1(DHS).

#sb103

SENATE BILL NO. 103

"An Act relating to deposits into the dividend fund and appropriations from the earnings reserve account; and providing for an effective date."

[9:21:18 AM](#)

Co-Chair Stedman shared that the bill proposed modifying the formula used to pay the dividend. He explained that the dividend was first put forth in statutes in order to pay a public portion of the royalty wealth accumulated by the state in the sale of the collectively owned oil wealth. He

thought it would have been difficult at that time to have imagined a dividend formula on the corpus of \$65 billion, which was the current corpus total. He relayed that as oil production had declined the state did not have the reoccurring revenue it had enjoyed in the past and now was faced with the task of modifying the formula. The bill would split the amount that would be paid from the fund's portfolio, on a 5-year average, in order to have the amount calculated well in advance of the governor putting forth the operating budget in December. He explained that the numerics of the amount coming to the state would be known in September of each year. A five-year lookback also provided smoothing and stabilized the revenue stream and would not require the corporation to alter their management style.

[9:25:39 AM](#)

Co-Chair Stedman discussed the 5 percent split, which in the current year would be 5.25 percent before it dropped to 5. He asserted that the funds needed to be split for the state to meet the core obligations of education, public safety, and other basic government services. The bill had a split of one-half to dividends and one-half to the state.

[9:27:41 AM](#)

Co-Chair Stedman OPENED public testimony.

ADAM HYKES, SELF, HOMER (via teleconference), spoke in opposition to the bill. He thought that Co-Chair Stedman had over-estimated the role of government in meeting the needs of the people. He thought people should take care of themselves. He addressed Section 3 of the bill. He thought the added words "legislature may appropriate" were highly troubling, as he did not think it was appropriate for the legislature to appropriate funds to the Permanent Fund. He wanted to be clear that the legislature did not have the authority take, tax, or modify the formula.

[9:29:30 AM](#)

LYNETTE CLARK, SELF, FOX (via teleconference), testified in opposition to the bill. She thought the co-chairs were in violation of their offices. She discussed the bill and bill materials and back up documents. She strongly opposed the bill. She did not think the members were acting in the best

interest of constituents. She thought the bill was not legitimate. She thought the bill supported big government. She wanted her full dividend, paid under the existing formula.

[9:32:50 AM](#)

AT EASE

[9:32:53 AM](#)

RECONVENED

CRIS EICHENLAUB, SELF, EAGLE RIVER (via teleconference), was opposed to SB 103. He was in full support of the governor's proposed budget. He thought changing the dividend formula constituted a tax on the people. He discussed the changing of the state's oil and gas tax regime. He noticed former Senator Pete Kelly was no longer on the committee. He supported the governor.

[9:34:53 AM](#)

HERMAN MORGAN, SELF, ANIAK (via teleconference), testified in opposition to the bill. He was concerned that the legislature was not following the governor's proposed budget. He lamented that funds were being spent on education and the University rather than on full dividends. He questioned the motivations of the legislature. He did not support big government or increased government spending. He mentioned a message he sent to Senator Wilson. He did not support increased funding to the University. He expressed great sadness with current state affairs.

[9:38:48 AM](#)

ROSE HUBBARD, SELF, ANCHORAGE (via teleconference), spoke in opposition to the bill. She thought there was a right and wrong way to approach changes to the PFD. She thought it felt as though the legislature was stealing the people's money. She felt strongly that the public should have a chance to learn about any changes to the PFD. She believed that Alaskans should have a chance to testify on the issue. She relayed her understanding of the history and function of the PFD. She felt that more information of the process should be made available to the public so that they understood what was going on with their PFD.

[9:40:59 AM](#)

CATHERINE FELT, SELF, KENAI (via teleconference), testified in opposition to SB 103 since it was not a constitutional amendment. She thought a 50-50 split was a good compromise, but thought the public needed to vote on the matter.

[9:41:51 AM](#)

AT EASE

[9:46:42 AM](#)

RECONVENED

VIKKI JO KENNEDY, SELF, JUNEAU, was glad that the committee was taking public testimony. She asserted that the Permanent Fund belonged to the people. She hoped the legislature protected the fund. She thought people were lining up to move to the state because of free money and free Medicare. She thanked the committee for their work.

Co-Chair Stedman CLOSED public testimony

[9:49:43 AM](#)

Co-Chair Stedman informed that the committee would consider the bill's fiscal note at a later meeting.

[9:49:55 AM](#)

Co-Chair von Imhof appreciated the committee considering a statute change for the calculation of the PFD. She thought that the dividend should reflect the move from annual earnings to a percent of total market value. She pointed out that the 50-50 split yielded about \$700 million in surplus with a modest capital budget. In order to pay out a full dividend of \$2,300 would require an \$861 million draw. She referenced the Earnings Reserve Account (ERA) and noted that the unstructured draw, outside the POMV, would mean that future POMV draws would be less. She referenced the Constitutional Budget Reserve (CBR) and reminded that the fund had several recent draws for earthquake damage. She worried about the probability of forest fires and the subsequent cost. She referenced the Power Cost Equalization Fund and noted the consequence of drawing from that fund would result in less money for rural energy assistance. She highlighted the importance of considering all the financial consequences of a 50/50 split.

[9:52:41 AM](#)

Co-Chair Stedman discussed housekeeping.

SB 103 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

9:53:26 AM

The meeting was adjourned at 9:53 a.m.