

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

May 6, 2021

3:03 p.m.

**MEMBERS PRESENT**

Representative Jonathan Kreiss-Tomkins, Chair  
Representative Matt Claman, Vice Chair  
Representative Geran Tarr  
Representative Andi Story  
Representative Sarah Vance  
Representative James Kaufman  
Representative David Eastman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 47

"An Act relating to special registration plates for vehicles owned by persons with disabilities."

- HEARD & HELD

HOUSE JOINT RESOLUTION NO. 7

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

- MOVED CSHJR 7(STA) OUT OF COMMITTEE

HOUSE BILL NO. 73

"An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; relating to an advisory vote on the permanent fund; providing for an effective date by repealing the effective date of sec. 8, ch. 16, SLA 2018; and providing for an effective date."

- MOVED HB 73 OUT OF COMMITTEE

HOUSE BILL NO. 187

"An Act relating to the elimination or modification of state agency publications that are outdated, duplicative, or excessive

or that could be improved or consolidated with other publications or exclusively delivered electronically; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 66

"An Act relating to voting, voter qualifications, and voter registration; relating to poll watchers; relating to absentee ballots and questioned ballots; relating to election worker compensation; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

HOUSE BILL NO. 161

"An Act relating to special request registration plates celebrating the arts; relating to artwork in public buildings and facilities; relating to the management of artwork under the art in public places fund; relating to the powers and duties of the Alaska State Council on the Arts; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 47

SHORT TITLE: VEHICLE REGISTRATION/PERSONS W/DISABILITY

SPONSOR(s): SENATOR(s) GRAY-JACKSON

01/25/21	(S)	READ THE FIRST TIME - REFERRALS
01/25/21	(S)	STA
03/23/21	(S)	STA AT 3:30 PM BUTROVICH 205
03/23/21	(S)	Heard & Held
03/23/21	(S)	MINUTE(STA)
04/22/21	(S)	STA AT 3:30 PM BUTROVICH 205
04/22/21	(S)	Moved SB 47 Out of Committee
04/22/21	(S)	MINUTE(STA)
04/23/21	(S)	STA RPT 4DP
04/23/21	(S)	DP: SHOWER, HOLLAND, KAWASAKI, COSTELLO
04/30/21	(S)	TRANSMITTED TO (H)
04/30/21	(S)	VERSION: SB 47
04/30/21	(H)	READ THE FIRST TIME - REFERRALS
04/30/21	(H)	STA
05/06/21	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HJR 7

SHORT TITLE: CONST. AM: PERM FUND & PFDS  
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	STA, JUD, FIN
04/20/21	(H)	STA AT 3:00 PM GRUENBERG 120
04/20/21	(H)	Heard & Held
04/20/21	(H)	MINUTE(STA)
05/04/21	(H)	STA AT 3:00 PM GRUENBERG 120
05/04/21	(H)	Heard & Held
05/04/21	(H)	MINUTE(STA)
05/06/21	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HB 73

SHORT TITLE: PERM FUND; ADVISORY VOTE  
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	STA, JUD, FIN
04/20/21	(H)	STA AT 3:00 PM GRUENBERG 120
04/20/21	(H)	Heard & Held
04/20/21	(H)	MINUTE(STA)
05/04/21	(H)	STA AT 3:00 PM GRUENBERG 120
05/04/21	(H)	Heard & Held
05/04/21	(H)	MINUTE(STA)
05/06/21	(H)	STA AT 3:00 PM GRUENBERG 120

BILL: HB 187

SHORT TITLE: STATE AGENCY PUBLICATIONS  
SPONSOR(s): KAUFMAN

04/22/21	(H)	READ THE FIRST TIME - REFERRALS
04/22/21	(H)	STA, FIN
04/29/21	(H)	STA AT 3:00 PM GRUENBERG 120
04/29/21	(H)	<Bill Hearing Canceled>
05/06/21	(H)	STA AT 3:00 PM GRUENBERG 120

**WITNESS REGISTER**

SENATOR ELVI GRAY-JACKSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented SB 47.

BESSE ODOM, Staff  
Senator Elvi Gray-Jackson  
Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Presented a sectional analysis of SB 47 on behalf of Senator Gray-Jackson, prime sponsor.

ANNETTE ALFONSI

Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on SB 47, provided invited testimony in support of the bill.

JEFFREY SCHMITZ, Director

Division of Motor Vehicles

Department of Administration

Anchorage, Alaska

**POSITION STATEMENT:** Answered questions pertaining to SB 47.

ANGELA RODELL, CEO

Alaska Permanent Fund Corporation

Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to HJR 7.

MIKE BARNHILL, Deputy Commissioner

Office of the Commissioner

Department of Revenue

Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to HJR 7.

ALEXEI PAINTER, Legislative Fiscal Analyst

Legislative Finance Division

Legislative Affairs Agency

Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to HJR 7.

EMILY NAUMAN, Legislative Counsel, Deputy Director

Legislative Legal Services

Legislative Affairs Agency

Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to HJR 7.

BILL MILKS, Attorney General

Public Corporations and Government

Department of Law

Juneau, Alaska

**POSITION STATEMENT:** Answered questions pertaining to HJR 7.

#### **ACTION NARRATIVE**

[3:03:35 PM](#)

**CHAIR JONATHAN KREISS-TOMKINS** called the House State Affairs Standing Committee meeting to order at 3:03 p.m. Representatives Vance, Tarr, Kaufman, Eastman, and Kreiss-Tomkins were present at the call to order. Representatives Story and Claman arrived as the meeting was in progress.

**SB 47-VEHICLE REGISTRATION/PERSONS W/DISABILITY**

[3:04:51 PM](#)

CHAIR KREISS-TOMKINS announced that the first order of business would be SENATE BILL NO. 47, "An Act relating to special registration plates for vehicles owned by persons with disabilities."

[3:05:13 PM](#)

SENATOR ELVI GRAY-JACKSON, Alaska State Legislature, as prime sponsor, presented SB 47. She spoke from the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

SB47 amends AS 28.10.18(d) to allow speech-language pathologists, physical therapists, and occupational therapists to provide proof of disability to their clients. Currently, only chiropractors, physicians, physicians' assistants, or advanced practice registered nurses can provide proof of disability to their clients.

By expanding the ability for medical professionals in different fields to provide proof of disability to individuals, the opportunity to obtain special registration plates for vehicles is expanded for people with different kinds of disabilities.

Oftentimes, individuals with disabilities are in more constant contact with their physical or occupational therapists than with physicians because their issues require more specialized care. It can be cumbersome for these people, who are already suffering with disabilities, to make an additional visit to the physician purely for the purpose of acquiring their plaques. To provide ease and accessibility for these disabled people, it would be more efficient and

effective to allow these additional types of professionals to provide proof of disability.

[3:06:53 PM](#)

BESSE ODOM, Staff, Senator Elvi Gray-Jackson, Alaska State Legislature, presented a sectional analysis of SB 47 [included in the committee packet] on behalf of Senator Gray-Jackson, prime sponsor. She stated that Section 1 would amend AS 28.10.181(d) to include a person licensed as a speech-language pathologist or as a physical therapist or occupational therapist under AS 08.84

[3:07:33 PM](#)

REPRESENTATIVE EASTMAN drew attention to language on page 1, lines [7-8], of SB 47, which refers to a person with a disability that limits or impairs the ability to walk. He offered his understanding that speech-language pathologists would be added to those who can provide proof of a person being limited in their ability to walk. He inquired about why dentists and other providers would not also be added.

SENATOR GRAY-JACKSON replied that that question hadn't been given any thought.

[3:08:31 PM](#)

REPRESENTATIVE TARR said she supports SB 47 because she believes in having providers take full advantage of their training, especially given the current shortage of providers and the difficulty in getting appointments with them. She explained that in relation to speech-language pathologists, the structures of the inner ear are related to balance and equilibrium and people who have that kind of disorder might have issues related to mobility and go to other health care providers.

REPRESENTATIVE STORY offered her appreciation for the detailed letters of support for SB 47 provided in the committee packet, which painted the picture of why this bill is needed. She said the bill is very timely.

[3:10:31 PM](#)

REPRESENTATIVE KAUFMAN asked whether, if the bill became law, the speech-language therapist would use some sort of grading system to determine the extent of disability.

SENATOR GRAY-JACKSON responded that she assumes the process will work exactly as it does today when a person goes to a doctor or chiropractor.

REPRESENTATIVE KAUFMAN stated he is asking because he assumes a doctor would have a profound ability to diagnose a structural disability and assess range of mobility. He surmised that if a speech-language pathologist was assessing someone for a physical disability that wasn't related to balance, the pathologist may need the tools to be able to do so accurately, and he is interested in any background information.

MS. ODOM answered that a person experiencing a mobility issue or a disability impacting their mobility is usually referred to a speech-language pathologist and others as part of their care plan.

[3:12:23 PM](#)

REPRESENTATIVE EASTMAN observed that the current structure of this statute limits disabilities to those who are impaired in walking. He inquired about opening this type of license plate to those who are disabled in other ways.

SENATOR GRAY-JACKSON replied that she believes changing this statute to include occupational therapists and speech therapists would take care of handling folks who have disabilities in other ways.

REPRESENTATIVE EASTMAN asked whether the sponsor would be supportive of an amendment that adjusts language on page 1, line 7, because the way he reads the language is that currently the only person who can request this type of license plate is one who has a limit with the ability to walk. He posited that someone with other kinds of disabilities would not be able to make that initial request and apply for the plate.

SENATOR GRAY-JACKSON deferred to [Ms. Alfonsi, an invited witness] to provide an answer.

[3:14:27 PM](#)

ANNETTE ALFONSI provided invited testimony in support of SB 47. She noted she is speaking on behalf of herself and that she is the Alaska volunteer partner for the Unmasking Brain Injury Project. She related that she has a college degree and used to

work full-time until 2012 when she was a passenger in a rollover car accident that resulted in internal injuries and persistent concussion symptoms. She spent her savings on medical care by people who did not understand her injuries nor the right treatment for them. She now works part-time in food service while doing volunteer advocacy. Since 2015 she has planned and implemented annual brain injury education with continuing education credits for chiropractic, physical therapy, occupational therapy, and physician continuing medical education (CME). Getting credits approved requires an understanding of each field's scope of practice. She has been a patient in offices of every field listed in SB 47 and has worked in medical and dental offices.

MS. ALFONSI provided examples of why the bill is valid for the scopes of practice. She referred to numbered qualifications listed on the application for a special disability parking permit to obtain a disability placard. She noted that numbers 1 and 2 on the form reference walking distance and walking with assistance. She stated that physical therapists usually assess walking more extensively than do physicians who look for neurological ability to walk but don't physically assess the distance, stamina, or assistive technology. It is in the scope of practice for an occupational therapist to do a driving test, and these results are officially accepted by workers' compensation, but occupational therapists don't have the ability to provide [a signature on an application for a special disability parking permit]. The sixth qualification is if the applicant is "severely limited in their ability to walk due to an arthritic, neurological, or orthopedic condition." Speech therapists can provide cognitive assessments and cognitive re-training regarding that neurological factor. Cognitive fatigue, full response time, or problems juggling multiple variables can make driving unsafe and can increase the chances for an accident. Currently, when a physical therapist, occupational therapist, or [speech-language pathologist] does an assessment, the patient must then make another appointment to get that [disability] parking placard. This takes additional time, expense, and medical appointments in a state with a health care shortage, as well as puts more obstacles on rural residents. Cumulatively, the bill will save money, re-injuries, and time, and increase independence, healing, and economic vitality. Ms. Alfonsi urged the committee to pass SB 47.

[3:18:16 PM](#)

MS. ALFONSI addressed the previous questions from committee members. She said speech-language pathologists and all these fields routinely do various kinds of assessments that are accepted nationally; these are accreditations, certifications, and licensures that are accepted nationally. Of the assessments done by a speech-language pathologist, some are the very same assessments done by a neuropsychologist, so those are approved nationally. Plus, rather than just a test result spit out by a neuropsychologist's computer, a speech-language pathologist can catch whether someone is giving themselves an assistive factor, such as someone with vision impairment using auditory assistance while taking the test that they otherwise would have failed. Regarding Representative Eastman's question about an amendment [for those who are disabled in ways other than walking], she suggested that after the phrase "to walk" the words "or drive" be added; so, if somebody can't walk or drive without this placard, it would be an easy way to adjust for various kinds of disability. She reiterated her support for SB 47.

[3:21:22 PM](#)

REPRESENTATIVE EASTMAN asked whether it would be in the state's interest to assess someone's vulnerability to cognitive fatigue as part of the application for driving and receiving a license.

MS. ALFONSI related her understanding that some states have this requirement and others don't. She said she thinks the states that have this requirement have much better incorporated infrastructure for brain injury assessment and treatment. In Alaska, for example, the Monday following her car accident she saw her primary care provider who wrote in her chart that she had brain fog and trouble with expressing herself. This was with receiving one day off work with obviously active concussion symptoms, and even with the information available at that time, it was not appropriate. The idea of SB 47 is to increase the capability of these different therapists, who typically have a greater amount of patient interaction, to be able to provide each patient with what they need in a timely manner. Cognitive difficulties can change quickly, and people can heal quickly if they get what they need in a timely manner. Ms. Alfonsi said would feel better about a system that allows people to try to heal as soon as possible instead of a system with a medical shortage that punishes people for not being able to heal.

[3:24:01 PM](#)

REPRESENTATIVE VANCE inquired whether a stroke is considered a disability.

SENATOR GRAY-JACKSON responded that it is a disability in her opinion.

MS. ALFONSI replied that a stroke is considered a type of brain injury.

[3:24:38 PM](#)

REPRESENTATIVE VANCE shared the experience of a constituent who had had a stroke and was trying to get his driver license reinstated, but due to liability concerns his physician would not sign off for him to continue driving. The constituent reported that the physician did not provide any measures to work toward for showing improvement [and ability to drive]. However, the constituent heard that if he went out of state and paid a few thousand dollars, a physician would sign off, something the constituent felt was unfair and illegal. She asked whether the sponsor had researched instances concerning physician liability and the providers that would be added through SB 47.

CHAIR KREISS-TOMKINS suggested the question might be outside of the bill's scope as written, although he understands that there is an adjacent issue.

SENATOR GRAY-JACKSON agreed the question is out of the bill's scope. She added that she has been working on this bill since 2019 and did her homework before introducing the bill, which was vetted through meetings where doctors, chiropractors, physical therapists, and speech therapist were present.

[3:26:51 PM](#)

REPRESENTATIVE EASTMAN, if the bill became law, asked whether a speech-language pathologist could be held liable for harm in court if he or she signs off for this disability, a [disability parking placard] is received, and then the person has an accident.

[3:27:42 PM](#)

JEFFREY SCHMITZ, Director, Division of Motor Vehicles (DMV), Department of Administration, replied he would not have any comment in terms of liability. He said the DMV would maintain the exact procedures and processes that it does now when issuing

placards. This bill would simply expand the number of people who could sign such a certificate. There would be no change from DMV's perspective.

CHAIR KREISS-TOMKINS, independent from there being no change in liability from the DMV's perspective, asked whether there is currently a liability relationship between the agency and an accident scenario as described by Representative Eastman.

MR. SCHMITZ responded that he is not aware of any liability that the DMV or the state would have with respect to this.

[3:28:52 PM](#)

REPRESENTATIVE KAUFMAN stated it would be good to know what the typical liability insurance profile is for this new group of people who would be able to assess this versus the typical liability insurance levels that a physician carries. There may be a difference and a distinction, he added, that could prevent heartbreak in the future.

SENATOR GRAY-JACKSON answered that she thinks the liability would be the same as it currently is for chiropractors, doctors, and nurses, but she would investigate it.

[3:29:46 PM](#)

CHAIR KREISS-TOMKINS announced that SB 47 was held over.

**HJR 7-CONST. AM: PERM FUND & PFDS**

[3:30:16 PM](#)

CHAIR KREISS-TOMKINS announced that the next order of business would be HOUSE JOINT RESOLUTION NO. 7, Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund, appropriations from the permanent fund, and the permanent fund dividend.

CHAIR KREISS-TOMKINS reminded members that HJR 7 is sponsored by House Rules by request of the governor.

[3:31:37 PM](#)

CHAIR KREISS-TOMKINS moved to adopt Amendment 1, labeled 32-GH1694\A.1, Nauman, 5/4/21, which read:

Page 2, line 2:

Delete "as provided by law setting forth a percentage"

Insert "that is not more than five percent"

REPRESENTATIVE EASTMAN objected for the purpose of discussion.

[3:31:43 PM](#)

CHAIR KREISS-TOMKINS explained Amendment 1 would set within the text of the constitutional amendment a ceiling of 5 percent for the draw from the permanent fund. He said the goal is to make that an unbreakable draw to preserve sustainability of the permanent fund rather than leaving it as a number that could be revised by the legislature. He is concerned that in times of fiscal crunch it might be easier for the legislature to pass a bill that increases the draw to 5.5 percent or higher because that would allow the legislature to spend more money and subsidize what would appear to be a balanced budget when it is really balanced on the back of the long-term integrity of the fund. This amendment would protect the long-term integrity of the permanent fund by setting the draw in the constitution.

REPRESENTATIVE VANCE requested Ms. Rodell speak to Amendment 1.

[3:33:24 PM](#)

ANGELA RODELL, CEO, Alaska Permanent Fund Corporation (APFC), stated APFC would be supportive of an amendment limiting the percentage or including a percentage within the language of the amendment. She stated that under the current draft with no amendment, it could be argued that 100 percent of the fund could be taken in any given year. Therefore, APFC is supportive of including a percentage as an amendment.

REPRESENTATIVE VANCE requested Ms. Rodell's perspective on the proposed language, "that is not more than five percent".

MS. RODELL responded that APFC continues to support 5 percent as the limit and would not have any issue with the number itself. She said this is something that the Board of Trustees has been on record supporting for 20-plus years.

CHAIR KREISS-TOMKINS asked whether the administration has an opinion on embodying the percentage of the draw in this constitutional amendment.

[3:35:09 PM](#)

MIKE BARNHILL, Deputy Commissioner, Office of the Commissioner, Department of Revenue (DOR), answered that the administration supports the amendment. As he noted in the previous hearing, this language is taken from the changes made to the public school trust fund in 2018 in which the language "not more than five percent" was inserted as sort of a signaling to policymakers and appropriators that there may be market periods or economic periods where it is prudent to appropriate less than 5 percent of market value (POMV) average. The point of an endowment is to protect the real value, or the inflation adjusted value, of the endowment over all periods of time. There may be periods where 5 percent is too much and so the recommendation is for something lower than 5 percent, such as when there have been several years of high inflation that have eroded the inflation adjusted value of the fund.

[3:36:40 PM](#)

REPRESENTATIVE TARR noted the language that would be deleted by Amendment 1 states, "as provided by law setting forth a percentage". She asked what the mechanism would then be for constitutionally limiting it to not more than 5 percent if the annual basis of "provided by law" is taken out, given that what is not explicit in the constitutional amendment is described in "the bill."

MR. BARNHILL replied that at this point there is no legislation before the committee that formally creates a process for that, but as of right now the permanent fund has a practice of reporting to the House and Senate Finance Committees and the House Special Committee on Ways & Means what the effective rate of the draw is, and that's a number that DOR should just continue to watch over time to make sure that that average effective rate of draw is not too high vis-a-vis what the real return of the fund is. If the legislature would like to create a reporting mechanism in statute, that is something that the department could accommodate.

CHAIR KREISS-TOMKINS added that right now the constitutional amendment basically says to create this POMV draw, but the percentage will be set in law, and effectively right now that is Senate Bill 26 [passed during the Thirtieth Alaska State Legislature], which is at 5.25 percent, and that would be stretched down to 5 percent. So, the "as provided by law" is in statute and sets forth a percentage reference; it would sort of

cite that Senate Bill 26 equivalent language. The question is whether the percentage related to the POMV is left in statute and therefore subject to revision [by the legislature] at any point in time, or whether to put the percentage in the constitution where there is a much higher bar to adjusting that percentage. In further response to Representative Tarr, Chair Kreiss-Tomkins confirmed that the current percentage is at 5 percent per Senate Bill 26.

[3:40:01 PM](#)

REPRESENTATIVE EASTMAN stated that Amendment 1 seems to [provide for] a pre-appropriation limit. There is an appropriation limit elsewhere in the [Alaska] Constitution, he continued, and the amendment would limit [the legislature's] ability to draw what would be the combined earnings reserve and the permanent fund, then setting forth a specific percentage. This already approved appropriation limit in the constitution has the set-aside that no other appropriation in excess of this limit may be made, except to meet a state of disaster declared by the governor as prescribed by law. That was good thinking on the part of those who made that amendment to the constitution, he opined, because the 5 percent may effectively be an appropriation limit that negates the existing appropriation limit. He asked whether there should be consideration for disasters like earthquakes.

CHAIR KREISS-TOMKINS replied that he has thought at length about what sustainable management of the permanent fund would look like. Basically, he said, no other state has a sovereign wealth fund of \$70-plus billion and it has managed the liquidity of the fund in times of natural disasters, which would give him comfort in the event the state of Alaska were to find itself in a natural disaster situation. Specifically, there are many tactical means and methods for the state to get cash if it were to need cash quickly in such an event. In further response, Chair Kreiss-Tomkins confirmed he is talking about taking out a loan, in effect, to get cash for a disaster. He requested Mr. Painter speak further to the question.

[3:43:04 PM](#)

ALEXEI PAINTER, Legislative Fiscal Analyst, Legislative Finance Division, Legislative Affairs Agency, answered that the question is specifically about if there isn't the earnings reserve account (ERA) to turn to, how the state could get cash for a natural disaster. He said one avenue would be to use other savings accounts, the constitutional budget reserve (CBR), or

designated funds or to utilize federal disaster relief. Generally, there is federal relief available for a major disaster or insurance payments to some extent, and in the past other states have relied on those mechanisms. Short-term borrowing mechanisms for cash flow purposes also could be used. He offered his belief that in the past the state has never had to turn to the ERA in response to a disaster.

REPRESENTATIVE TARR stated, "So, I was remembering from the other bill that also had the 5 percent in it. So, actually, the effective date from Senate Bill 26 to change to 5 percent is July 1, 2021. So, it actually has not happened, but it's about to. So, they would all align then."

[3:44:37 PM](#)

REPRESENTATIVE EASTMAN noted that the other constitutional exemption from the spending limit deals with appropriations for capital projects. He inquired whether consideration was given to having a mechanism for funding capital projects that might exceed this proposal of 5 percent.

CHAIR KREISS-TOMKINS replied that his point of view is that the permanent fund should not be overspent regardless of the reason. It is a very bad decision to have an unsustainable spend out of the permanent fund, he opined, whether for capital projects or anything else. The idea is to manage the fund for long-term prosperity. Amendment 1, as written, would speak to how much goes to dividends and then, of the remainder, how much goes to the operating budget versus the capital budget or any other purpose.

[3:45:58 PM](#)

REPRESENTATIVE EASTMAN maintained his objection to Amendment 1.

[3:46:28 PM](#)

REPRESENTATIVE TARR stated she finds this challenging to do this out of the context of a bigger overall plan, but she appreciates what is intended here, so she is likely to support [Amendment 1] today. She has a small concern of constraining the legislature through the constitution in this way because of unintended consequences or unusual events but, she allowed, there are other opportunities.

[3:47:31 PM](#)

REPRESENTATIVE KAUFMAN suggested that language could be added that refers to a higher threshold legislative vote to provide a safety valve in case an emergency or something had to be addressed. However, he continued, he is also sensitive to the other mechanisms by which to achieve funding.

[3:48:16 PM](#)

REPRESENTATIVE CLAMAN expressed his support for Amendment 1. He said it makes HJR 7 more like HJR 1, which is Chair Kreiss-Tomkins' resolution that puts the 5 percent POMV in the constitution as well. This is the best way to get a spending cap, he opined, and to bring discipline to the legislature's work. Regarding the disaster question, as can be seen with the amount of federal money being spent on the COVID-19 disaster, Alaska lacks the capacity to respond to those kinds of major disasters even with its large sovereign wealth fund. Regarding a possible future disaster, he highlighted the importance of the State of Alaska working with the Federal Government to respond to that disaster. Keeping Alaska's sovereign wealth fund intact would be wanted to provide the ability to use those funds with the limits that are under Amendment 1 so that Alaska's economy could be recovered successfully in the long term.

[3:49:54 PM](#)

REPRESENTATIVE STORY agreed that it's important to protect the permanent fund because it's Alaska's nest egg. She said she appreciates today's testimony in favor of not exceeding 5 percent and she supports Amendment 1.

[3:50:23 PM](#)

REPRESENTATIVE EASTMAN said he is grateful that the amendment is taking place at this specific portion of the bill. He said trusting the legislature with setting the draw limit on its own is unthinkable, so he appreciates that this is a step away from that. However, he continued, he is hesitant about the effects of inflation on the 5 percent cap; as proposed, there is no exception for inflation. The first five of the last preceding six years is still being used, which would not capture currently occurring inflation. If the committee could come to agreement on that, he would be more sympathetic to something like this amendment.

[3:51:16 PM](#)

CHAIR KREISS-TOMKINS, in response to Representative Kaufman, stated he has considered the idea of a super-super majority, but thinks it is a bad idea. Overspending in the short term, he continued, is a terrible idea in the long term for everybody. Other states that have gone through immense disasters have done okay through federal resources and other access to liquidity when needed.

[3:52:59 PM](#)

A roll call vote was taken. Representatives Tarr, Story, Claman, Vance, Kaufman, and Kreiss-Tomkins voted in favor of Amendment 1. Representative Eastman voted against it. Therefore, Amendment 1 was adopted by a vote of 6-1.

[3:53:44 PM](#)

REPRESENTATIVE VANCE moved to adopt Amendment 2 to HJR 7, as amended, labeled 32-GH1694\A.2, Nauman, 5/5/21, which read:

Page 1, line 11:

Delete "**Except as provided in (b), (c) and (d) of this section, all** [ALL]"

Insert "All"

Page 1, line 14, through page 3, line 11:

Delete all material and insert:

"\* **Sec. 2.** Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding new subsections to read:

(b) At the end of each fiscal year, the following shall be determined as provided by law:

(1) five percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended, including any unrealized gains or losses;

(2) twenty-one percent of the net income of the fund for the preceding five fiscal years, including the fiscal year just ended, excluding any unrealized gains or losses.

(c) Each year, fifty percent of the amount determined under (b)(1) of this section, or fifty percent of the amount determined under (b)(2) of this section, whichever is greater, shall be transferred for use in a program of dividend payments to State residents as provided by law.

(d) After the transfer in (c) of this section, the remainder of the amount calculated under (b)(1) of this section may be appropriated to the general fund for the costs and expenses of State government.

\* **Sec. 3.** Article XV, Constitution of the State of Alaska, is amended by adding a new section to read:

**Section 30. Permanent Fund Amendments: Transition.** (a) On June 30, 2023, the unencumbered balance of the earnings reserve account established by law shall be deposited in the Alaska permanent fund and become part of the principal of the fund.

(b) The 2022 amendments relating to the Alaska permanent fund (art. IX, sec. 15) apply to appropriations made for the fiscal year ending June 30, 2024, and thereafter."

CHAIR KREISS-TOMKINS objected for the purpose of discussion.

[3:53:49 PM](#)

REPRESENTATIVE VANCE said she calls this the "Wielechowski Amendment" because she commends Senator Wielechowski's continued work on protecting the permanent fund and the dividend. She said Amendment 2 aims to enshrine the program of dividends (POD) into the constitution to affect the fair and prudent policy rationales for which the program was intended to achieve. Amendment 2 would protect overspending of the fund by moving the balance of the earnings reserve account into the corpus of the fund where all the future earnings will be retained and safeguarded from access, like Amendment 1 will do. Amendment 2 would limit the permissible draw from the fund to 5 percent of the five-year average market value, just like Amendment 1. The difference is that this one would be apportioned either 50 percent of the draw value or the amount of the historical calculation formula, whichever is greater. That way the people will always receive the first call on the earnings of the fund ahead of government, which was stated in the note from the "1981 Finance Committee."

[3:55:19 PM](#)

REPRESENTATIVE EASTMAN requested Representative Vance to speak to his understanding that this is close to, but not the same, as the current statutory formula for calculating net income.

REPRESENTATIVE VANCE related her understanding that the difference is the unrealized gains and that it would essentially

inflation proof itself and be more of the realistic view of the earnings and provide that cushion. She deferred to Mr. Barnhill to speak further on the technicalities.

MR. BARNHILL responded that in the statute, statutory net income (SNI) is realized gains - not unrealized gains - and includes realized gains from liquidating investments and cash from dividends and fixed income coupons; therefore, he doesn't see a difference here. He deferred to the bill drafter to answer further.

[3:57:08 PM](#)

EMILY NAUMAN, Legislative Counsel, Deputy Director, Legislative Legal Services, Legislative Affairs Agency, answered by citing AS 37.13.140[a], which read: "Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles [GAAP], excluding any unrealized gains or losses." She drew attention to Amendment 2, page 1, line 15, and noted that it specifies "excluding any unrealized gains and losses".

REPRESENTATIVE EASTMAN pointed out the word "including" on line 12 of Amendment 2.

MS. NAUMAN noted that AS 37.13.140(b) addresses the current statutory POMV draw.

CHAIR KREISS-TOMKINS inquired whether it is fair to say that the POMV calculation includes unrealized gains and losses, while the SNI definition excludes unrealized gains and losses.

MS. NAUMAN confirmed that that is correct in terms of Amendment 2. She explained she was trying to track the current statute to be sure that that was how it is currently calculated under statute.

MR. PAINTER explained the difference. He offered his understanding that this is language based on a Senate resolution. He explained that the current permanent fund dividend (PFD) statute is essentially the amount that is listed starting on line 14. However, he continued, this section is written a little differently [in Amendment 2] in that it has the "greater of" two different formulas - the one starting on line 11, which is 50 percent of the POMV draw, and the amount starting on line 14, which is the current amount. So, this formula would be the greater of those two formulas.

REPRESENTATIVE EASTMAN related his understanding that this is very much like the traditional pre-Senate Bill 26 formula and so now [legislators] are trying to contrast it with the Senate Bill 26 POMV formula. He clarified that he is not focused on that contrast but instead is trying to illustrate in what way this is the same as and different from the statutory dividend calculation that existed 10 years ago, for example.

[4:01:34 PM](#)

REPRESENTATIVE KAUFMAN sought clarification on where the comparative language exists.

MR. PAINTER drew attention to subsection (c) of Amendment 2, which states, "Each year, fifty percent of the amount determined under (b)(1) of this section, or fifty percent of the amount determined under (b)(2) of this section, whichever is greater, shall be transferred for use in a program of dividend payments to State residents as provided by law." He explained that (b)(1) is the POMV draw and that (b)(2) is the current statutory PFD formula. He further pointed out that "whichever is greater" is on line 19.

[4:02:53 PM](#)

CHAIR KREISS-TOMKINS inquired about the administration's position on Amendment 2.

MR. BARNHILL expressed appreciation for the amendment's intent to constitutionalize the PFD, and said the administration supports some constitutionalizing of the PFD. However, he continued, the difficulty and concern here is that the statutory net income approach is not well aligned with the POMV of the endowment approach that is used by most modern institutional funds. When distributing from a fund in a way that will preserve the inflation adjusted value of that fund forever, it must be ensured to not overdraw in one particular year. With the statutory net income approach, net income is driven by dividends, by coupons, and realized gains. Realized gains can happen when the investment management staff decides to rebalance the portfolio or liquidate an investment, and sometimes that is related to changes in the marketplace and sometimes it is not, so there is some volatility there. There is always going to be the possibility that in a particular year the realization rate is quite high, and it could go to the point where a sustainable draw is being exceeded. That is why [the administration]

prefers an approach to calculating the dividend that is aligned with the endowment approach, aligned with the POMV approach. That way assures never going over that lagging 5 percent of average market value. Mr. Barnhill further related that an analysis done several years ago compared what a 50:50 POMV PFD versus a statutory net income PFD would be over time, and some years one is higher and other years lower and vice versa; they are similar formulas in that they both are 50:50 of some five-year average. It's just that the volatility that can happen with the statutory net income approach is not a neat fit with the POMV approach.

[4:06:15 PM](#)

CHAIR KREISS-TOMKINS maintained his objection to Amendment 2.

[4:06:21 PM](#)

REPRESENTATIVE EASTMAN opined that the current statute is not broken and should be maintained. He said the calculation in place for 40-plus years has never been broken or in need of amendment; rather, too much money was spent from the statutory budget reserve (SBR), the CBR, and now the earnings reserve account (ERA). The problem is not that the dividend is at fault, but that more money was spent than was brought in. Now it is being found that the only way to be able to continue spending money is to intrude on the dividend formula. He said he will support Amendment 2, but with those caveats.

[4:07:48 PM](#)

REPRESENTATIVE CLAMAN said he does not support Amendment 2. He opined that the PFD has been great while it could be afforded, but payment of meaningful dividends cannot be afforded unless it is a surplus dividend. He said that enshrining any kind of a formula or any kind of a sharing in the constitution will force massive tax hikes that the public is not ready for, so a choice must be made between dividends and taxes. This amendment would force either a substantial increase in taxes or massive budget cuts, and each is unacceptable to the public.

[4:08:58 PM](#)

REPRESENTATIVE KAUFMAN said he relates to the comments from both members. Their comments, he opined, point to a problem of spending too much, which has caused the current situation.

[4:09:29 PM](#)

REPRESENTATIVE TARR stated she is "pro-50:50." She opined that while some issues are more ideological, this issue seems to be more influenced by district dynamics. She noted she represents the lowest income urban district in Alaska, where the dividend is a real boost for families and can be a game changer for their stability. She said she is struggling with whether to support Amendment 2 because of the specificity of putting it into the constitution and the subsequent inability to move quickly if a change is needed, although she thinks it is an equitable distribution of those funds.

[4:11:08 PM](#)

REPRESENTATIVE STORY expressed concern about the volatility and said she does not support Amendment 2.

[4:11:27 PM](#)

CHAIR KREISS-TOMKINS stated he is open to constitutionalizing the dividend but only in a way that is considered in balance with other components of a long-term balanced budget which will undoubtedly include revenues. He said he is open to furthering downward pressure on the operating budget as well. However, he opined, the SNI calculation, the volatility, is very real and kind of arbitrary. For example, if the state sells real estate, it will jack up the dividend calculation, which doesn't make sense, and so a POMV is a better, more stable approach. He said he cannot support Amendment 2 at this time, although he understands where the sponsor is going with this directionally and he recognizes that many of these thoughts will have to be incorporated into some eventual compromise.

[4:12:36 PM](#)

REPRESENTATIVE VANCE provided closing comments on Amendment 2. Things are at a place where talk about this must continue, she opined, and her priority is to honor the will of Alaskans and to do what is best for the long-term future of the state. The amendment pulls together all the elements that everyone is considering. It rolls the earnings reserve account (ERA) into the corpus to protect that fund for the future so that the ERA is not spent irresponsibly. It incorporates either the 50:50 of the POMV or the traditional formula, which respects the people because so many Alaskans have said they want the traditional calculation, and the language also specifies "whichever is

greater". It gives the people the first draw while providing an ability for the state to have its portion to cover state expenses. Representative Vance advised that the estimate for the dividends per person with 50 percent of the POMV versus the statutory are relatively similar for five to seven years ahead and about five years out they are not dramatically different. So, one argument might be to just do the 50:50, she continued, but when proposing a constitutional amendment there should be something the people know and already trust and that is the traditional formula.

[4:15:22 PM](#)

A roll call vote was taken. Representatives Eastman and Vance voted in favor of Amendment 2. Representatives Story, Claman, Kaufman, Tarr, and Kreiss-Tomkins voted against it. Therefore, Amendment 2 failed by a vote of 2-5.

[4:16:19 PM](#)

REPRESENTATIVE EASTMAN moved to adopt Amendment 3 to HJR 7, as amended, labeled 32-GH1694\A.3, Nauman, 5/5/21, which read:

Page 1, line 6, following "all":

Insert "**state land lease rentals, state resource royalties, state resource royalty sale proceeds,**"

CHAIR KREISS-TOMKINS objected for the purpose of discussion.

[4:16:24 PM](#)

REPRESENTATIVE EASTMAN explained Amendment 3. He drew attention to HJR 7, page 1, line 6, and advised that the language "at least twenty-five percent" is known as the 25 percent royalty annual contribution, which is in the constitution. He said Amendment 3 would not change the 25 percent, but it would expand to include natural resources generally; for example, 25 percent of royalties received by the state for timber harvests would be deposited into the permanent fund. Going forward, it recognizes that Alaska has more resources than just oil and gas. Given the state has no royalties on fish it would not affect the fishing industry, but it tries to be more consistent across the state's various natural resources so that all those resources are contributing at least 25 percent toward the permanent fund.

CHAIR KREISS-TOMKINS recalled that when the governor was a Senator, he had proposed to apply a royalty on all fish caught in Alaska.

[4:18:40 PM](#)

CHAIR KREISS-TOMKINS asked how much money would be affected by passage of Amendment 3.

REPRESENTATIVE EASTMAN replied that he does not have specific figures because it is relatively small. He said the goal isn't to make a big splash, it is to look forward and say that if responsible [timber] harvesting is expanded, then the permanent fund would have its portion of that.

CHAIR KREISS-TOMKINS inquired whether Mr. Painter had a ballpark figure of how much money would be captured by Amendment 3.

MR. PAINTER answered no.

[4:19:30 PM](#)

REPRESENTATIVE KAUFMAN asked whether the intent is that the proceeds from a large mining project would be treated similarly to the proceeds that are coming from oil extraction.

REPRESENTATIVE EASTMAN deferred to the experts to answer the question. He noted that currently in the constitution the language is mineral lease rentals, federal mineral revenue sharing. The amendment is taking out the word "mineral" and therefore talking about resources in general. Timber is not a mineral, which is why it does not qualify currently.

REPRESENTATIVE KAUFMAN surmised that Amendment 3 would cast the same net on what is held in common, so it is treated in the same way and there is a level playing field.

REPRESENTATIVE EASTMAN responded yes.

[4:20:43 PM](#)

CHAIR KREISS-TOMKINS stated that he is maintaining his objection to Amendment 3 not because he opposes applying this in a broader and more encompassing way, but because it is a constitutional amendment, and he wants to know the numbers, particulars, and specifics affected before casting an affirmative vote.

CHAIR KREISS-TOMKINS asked whether the administration had a position on Amendment 3.

MR. BARNHILL answered that the administration does not have a position and is neutral on Amendment 3; it is a policy call for the legislature to make.

[4:21:45 PM](#)

REPRESENTATIVE KAUFMAN asked whether renewables had been thought about as a resource and therefore considered for proceeds; for example, what is generated from ultra-violet rays.

REPRESENTATIVE TARR surmised there could be some lease possibilities for timber sales but pointed out that revenue derived from timber receipts is split 85 percent to the Alaska Mental Health Trust principal within the permanent fund and 15 percent income used for benefit programs and operating costs. She asked whether Amendment 3 would impact the trust's overall revenue stream.

[4:23:36 PM](#)

REPRESENTATIVE EASTMAN [moved to withdraw] Amendment 3. [There being no objection, Amendment 3 was withdrawn.] He said he looks forward to working with the chair to find a way to obviate the chair's hesitancy about the amendment.

[4:23:54 PM](#)

REPRESENTATIVE EASTMAN moved to adopt Amendment 4 to HJR 7, as amended, labeled 32-GH1694\A.4, Nauman, 5/5/21, which read:

Page 2, line 29, following "Article IX":  
Insert "made by this resolution"

Page 3, line 3, following "Article IX":  
Insert "made by this resolution"

Page 3, line 5, following "Article IX":  
Insert "made by this resolution"

Page 3, lines 8 - 9, following "Article IX":  
Insert "made by this resolution"

CHAIR KREISS-TOMKINS objected for the purpose of discussion.

[4:23:59 PM](#)

REPRESENTATIVE EASTMAN explained that Amendment 4 is clarifying language and does not change the substance of HJR 7. He noted that various proposals to change the constitution have been heard this year, so if one amendment passes, it is likely that multiple amendments may pass. If multiple amendments are passed in 2022, he continued, there could be some ambiguity over the specific effect of those amendments. Amendment 4 would remove that ambiguity and clarify that this specific amendment, and the transition language and so forth, will only apply to this specific amendment.

CHAIR KREISS-TOMKINS inquired whether the administration had a position on the technical language embodied in Amendment 4.

[4:25:17 PM](#)

BILL MILKS, Attorney General, Public Corporations and Government, Department of Law (DOL), concurred it is technical language and deferred to Mr. Barnhill to provide an answer.

MR. BARNHILL responded that this is a style of drafting issue, and the administration is neutral on Amendment 4.

CHAIR KREISS-TOMKINS asked whether Legislative Legal Services had any legal perspective on the amendment.

MS. NAUMAN advised that she does not think this language is necessary, and that it would just be a policy choice about whether the legislature wanted to put it in.

CHAIR KREISS-TOMKINS requested Ms. Nauman speak to why the language may not be necessary.

MS. NAUMAN answered that the hypothetical situation of passing multiple constitutional amendments that modify one section of the constitution is extremely unlikely and would likely trigger much larger problems than just figuring out which transition language belongs with which. Potentially, she continued, there are mechanisms that would resolve that. When the changes were put into the constitution, it would become clear and it would be known which transition language goes with which amendment.

[4:27:13 PM](#)

REPRESENTATIVE CLAMAN inquired whether adding language to constitutional amendments could have the unintended consequence of a court later reading this language in ways that are unexpected. Because it is not seen in other provisions of the constitution, he continued, it would be different from other provisions and another reason to not add this language.

MS. NAUMAN replied that she supposes that is possible. She added that this language seems innocuous but that deep thought must be given to any language being added to the constitution.

CHAIR KREISS-TOMKINS maintained his objection to Amendment 4.

[4:28:17 PM](#)

REPRESENTATIVE EASTMAN provided closing comments on Amendment 4. He said two issues are at play here. One is the multiplicity of ideas for how to change the constitution. He maintained it would be unlikely to have just one amendment pass given that any amendment takes a two-thirds vote; so, if any amendment is to pass it is going to be part of a larger compromise and package with multiple constitutional amendments to be considered and possibly put to the people. He said the other problem is that when Legislative Legal Services is asked to draft a constitutional amendment, a memo will inevitably be sent to the sponsor advising that if the amendment is too complicated - for example, it draws on multiple portions of the constitution - it may then not be appropriate to put forward as an amendment and should instead be a revision which requires a constitutional convention. So, Representative Eastman continued, if everything from the various committee hearings dealing with multiple portions of the constitution were to be thrown into one amendment, Legislative Legal Services would likely recommend not to do so because it could potentially confuse the voters and necessitate a constitutional convention. He said Amendment 4 would reduce the ambiguity here in this unique situation.

[4:30:02 PM](#)

A roll call vote was taken. Representatives Kaufman, Eastman, and Vance voted in favor of Amendment 4. Representatives Tarr, Story, Claman, and Kreiss-Tomkins voted against it. Therefore, Amendment 4 failed by a vote of 3-4.

[4:31:02 PM](#)

REPRESENTATIVE EASTMAN moved to adopt Amendment 5 to HJR 7, as amended, labeled 32-GH1694\A.6, Nauman, 5/5/21, which read:

Page 1, line 2:  
Delete "and"

Page 1, line 3, following "dividend":  
Insert ", and the appropriation limit"

Page 2, following line 19:  
Insert new bill sections to read:

"\* **Sec. 3.** Article IX, sec. 16, Constitution of the State of Alaska, is amended to read:

**Section 16. Appropriation Limit. (a)** Except as provided in (b) of this section and except for appropriations for Alaska permanent fund dividends, appropriations of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated

balance to be invested so as to yield competitive market rates to the treasury.

\* **Sec. 4.** Article IX, sec. 16, Constitution of the State of Alaska, is amended by adding a new subsection to read:

(b) If the change in inflation, as inflation is calculated under (a) of this section, exceeds 100 percent in one fiscal year, the appropriation limit under (a) of this section is suspended for that year and succeeding years until the change in inflation drops to 100 percent or less in one fiscal year."

Renumber the following bill sections accordingly.

Page 2, line 22:

Delete "**Permanent Fund**"

Insert "**2022**"

Page 2, line 27, following "15)":

Insert "and to the appropriation limit (art. IX, sec. 16)"

CHAIR KREISS-TOMKINS objected.

[4:31:08 PM](#)

REPRESENTATIVE EASTMAN stated that the operative language in Amendment 5 appears on page 2, line 9, Sec. 4. He said the question to discuss as a legislature and a committee is, "To what extent the state will be relying upon draws from the permanent fund going forward?" He stated that Amendment 4 would not be needed if these draws are supplemental to the budget process with no serious reliance on the part of funding essential services. However, he continued, the expectation he is hearing in conversations is that for the foreseeable future the state plans to be very dependent on at least some appropriation from the permanent fund to fund essential services. A mechanism is needed to fund those essential services should a hyper-inflation event occur. A simple 5 percent cap does not anticipate or allow for any deviation if there is a hyper-inflation event. To avoid a constitutional crisis, Amendment 5 would suspend the appropriation limit during times when inflation is rated by the Federal Government at being over 100 percent.

[4:33:22 PM](#)

CHAIR KREISS-TOMKINS asked whether the administration has a comment or position on Amendment 5.

MR. BARNHILL answered that this imagines a situation where inflation doubles in one year. But, he said, perhaps more pertinent is that this measure is intended to focus on the permanent fund and the structure of the permanent fund, and Amendment 5 focuses on the appropriation limit. He advised that the administration has a separate measure with respect to the appropriation limit and that that is the place to pick up this kind of concept.

[4:34:30 PM](#)

REPRESENTATIVE TARR surmised that the way to read Amendment 5 is that the 100 percent is relative to inflation in the prior year.

REPRESENTATIVE EASTMAN responded that the constitution currently has a calculation of inflation because a spending limit was set at a nominal amount of \$2.5 billion and which grows by inflation and population as "derived from federal indices as prescribed by law" since July 1, 1981. If it is over 100 percent inflation, it is a hyper-inflation situation.

CHAIR KREISS-TOMKINS inquired whether, in the economic world, 100 percent is the accepted marker of inflation.

REPRESENTATIVE EASTMAN answered no, it is not trying to define hyper-inflation, it is just saying anything higher than 100 percent. Even 100 percent inflation would not technically qualify to suspend the appropriation limit, he continued. It would have to be something higher than that, which would indicate that the current budgeting system is not going to work unless the appropriation limit can be changed.

CHAIR KREISS-TOMKINS maintained his objection to Amendment 5. He professed to not having expertise on the forecasting of inflation, but said he became aware several weeks ago that there is an active dialogue in a certain sphere of the political or economic world that is very concerned about the possibility of hyper-inflation. For reasons of germaneness and focusing on one thing per piece of legislation, he said he would rather not broach the subject of an appropriation limit in this piece of legislation.

[4:37:31 PM](#)

REPRESENTATIVE KAUFMAN offered his belief that the state needs to be ready for hyper-inflation because "they" don't even bother printing money anymore; "they" just digitally hypothecate it and say it's there. He related his concern about what is going to be seen on a global scale with dollar destruction and said the state needs to be ready in all its policies. He stated he will vote no on Amendment 5 not because he doesn't care but because he is wondering where to "park" this. He added that this is part of the overall discussion that is needed about Alaska's financial future.

REPRESENTATIVE TARR said she is aligned with the comments of Representative Kaufman. She said she wants to look further into this but not today with this amendment.

[4:39:17 PM](#)

REPRESENTATIVE EASTMAN provided closing comments on Amendment 5. He noted that legislatures are not fast in changing times; legislatures are slow for an average bill and usually even slower for changing the constitution. This is an area where Alaska cannot afford to be slow, he opined. The question is whether legislators expect HJR 7 to pass and, if so, then this should be part of it. If HJR 7 is passed and something else is passed, then it is a situation of having two competing constitutional amendments on the ballot and potential conflicts with that.

[4:40:36 PM](#)

CHAIR KREISS-TOMKINS maintained his objection to Amendment 5.

[4:40:44 PM](#)

A roll call vote was taken. Representatives Vance and Eastman voted in favor of Amendment 5. Representatives Kaufman, Tarr, Story, Claman, and Kreiss-Tomkins voted against it. Therefore, Amendment 5 failed by a vote of 2-5.

[4:41:45 PM](#)

REPRESENTATIVE EASTMAN moved to adopt Amendment 6 to HJR 7, as amended, labeled 32-GH1694\A.8, Nauman, 5/6/21, which read:

Page 1, line 2:  
Delete "**and**"

Page 1, line 3, following "**dividend**":  
Insert "**, and the appropriation limit**"

Page 1, line 11:  
Delete "**(b), (c) and (d) of**"

Page 1, line 14, through page 2, line 19:  
Delete all material and insert:

**"\* Sec. 2.** Article IX, sec. 15, Constitution of the State of Alaska, is amended by adding new subsections to read:

(b) Every two years, not later than the candidate filing deadline for the next regular election, with the affirmative vote of each house of the legislature, the legislature may, by law, propose an amount to be transferred from the permanent fund for each of the following two fiscal years. The governor may strike or reduce the amount proposed to be transferred under this subsection. If the amount proposed for transfer is over zero, the lieutenant governor shall place two questions on the next general election ballot, approving or rejecting each proposed amount to be transferred from the permanent fund, as adjusted by the governor, if applicable.

(c) If the voters approve the amount proposed under (b) of this section, fifty percent of the amount proposed shall be transferred to the general fund and fifty percent shall be transferred to the dividend fund established under Section 18 of this article.

(d) If the voters reject the amount proposed under (b) of this section, seventy-five percent of the amount proposed under (b) of this section shall be transferred from the permanent fund. Fifty percent of the amount proposed under (b) of this section shall be transferred to the dividend fund established under Section 18 of this Article and the remainder shall be transferred to the general fund.

(e) The transfer proposed for the first fiscal year under this section shall take place on the first day of the fiscal year that begins immediately following the date of the general election certification. The transfer proposed for the second fiscal year under this section shall take place on the first day of the following fiscal year.

(f) A transfer proposed under this section, when combined with other appropriations for the fiscal

year, shall not exceed the appropriation limit set out in Section 16 of this article.

\* **Sec. 3.** Article IX, sec. 16, Constitution of the State of Alaska, is amended to read:

**Section 16. Appropriation Limit.** Except for appropriations [FOR ALASKA PERMANENT FUND DIVIDENDS, APPROPRIATIONS] of revenue bond proceeds, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-State source in trust for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds, appropriations from the treasury, including transfers from the Alaska permanent fund, made for a fiscal year shall not exceed \$2,500,000,000 by more than the cumulative change, derived from federal indices as prescribed by law, in population and inflation since July 1, 1981. Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund and in bills for appropriations for capital projects, whether of bond proceeds or otherwise, if each bill is approved by the governor, or passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is also approved by the voters as prescribed by law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital projects. No other appropriation in excess of this limit may be made except to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unexpended and unappropriated balance to be invested so as to yield competitive market rates to the treasury.

\* **Sec. 4.** Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

**Section 18. Dividend Fund.** Each year, as provided in Section 15 of this article, an amount shall be transferred to a dividend fund. The balance of the fund shall be used for the payment of dividends to residents of the State each year."

Renumber the following resolution sections accordingly.

Page 2, line 22:

Delete "**Permanent Fund**"

Insert "**2022**"

Page 2, line 27:

Delete "apply to appropriations made for"

Insert "and the appropriation limit (art. IX, sec. 16) apply to"

Page 2, line 29, through page 3, line 11:

Delete all material and insert:

"(c) Notwithstanding the requirement that voters approve draws from the permanent fund under Article IX, secs. 15(b), (c), and (d), Constitution of the State of Alaska, an amount shall be transferred from the permanent fund for fiscal years 2023 and 2024 if the legislature puts two questions on the ballot, at the same election in which voters will consider the 2022 amendments to Sections 15 and 16 of Article IX, and adding Section 18 to Article IX, that set out the amount of each transfer and asks whether the voters approve of the amount of each transfer. The voter approval, use, and amount of the transfers shall be consistent with the Sections 15(c), (d), and (e) of Article IX."

CHAIR KREISS-TOMKINS objected.

[4:41:52 PM](#)

REPRESENTATIVE EASTMAN explained that Amendment 6 envisions a mechanism for bringing together the legislature, governor, and people of Alaska to make decisions two years at a time on whether, and to what extent, money should be withdrawn from the permanent fund. He said the two-year schedule would be initiated by the legislature with a proposal that would then be sent to the governor using the normal process for the governor to veto or reduce the proposed transfer from the permanent fund. Once it passed the governor, it would go to the ballot at the general election where Alaskans would vote on whether the appropriation from the legislature and governor is excessive. If the people believe it an excessive draw on the permanent fund, then it would be reduced. If the people approve it, then 50 percent would go to the general fund and 50 percent to the

dividend fund to be distributed to all eligible Alaskans. The process is such that there is an election after the legislature makes its proposal, so there is consideration for legislators. The changes legislators are trying to make won't take effect until after the next election, so there is an accountability relationship between the people and legislators and between the legislature and the governor who can reduce, but not increase, a proposed draw from the permanent fund. There is also accountability from the people to approve or to reduce the amount that would be drawn from the permanent fund. If the people are not persuaded that the amount to be withdrawn is appropriate, they would vote no, and if they vote no, then the amount going to the dividend fund would not be impacted but the amount going to the general fund would be reduced by half.

[4:45:16 PM](#)

CHAIR KREISS-TOMKINS asked whether the administration had comment or a position on Amendment 6.

MR. BARNHILL answered that the administration appreciates the direction of the proposal in terms of giving the people a meaningful role in these discussions. The administration's preference, he stated, is to stick with the POMV, the modern approach to managing institutional funds and endowments. This isn't in that POMV paradigm, he added, which is a concern.

CHAIR KREISS-TOMKINS maintained his objection to Amendment 6.

[4:46:34 PM](#)

REPRESENTATIVE TARR argued that this would be far too complicated to be workable and would be a jobs-killing and economy-killing kind of an amendment because of the uncertainty it would create on an annual basis as to what the budget is going to be. She stated that given the COVID-19 pandemic, business owners are thinking about investments in terms of 5-20 years.

[4:47:30 PM](#)

REPRESENTATIVE VANCE stated that the amendment would put the conversation directly into the hands of the people. She said she likes this new idea of having the people be a part of the budget process in a more active way than just testifying. However, she continued, the concern about volatility remains, so she would like to look at this further.

[4:48:42 PM](#)

REPRESENTATIVE CLAMAN said he is opposed to Amendment 6 for several reasons, the biggest reason being that trying to do clever things in a constitutional amendment raises the likelihood that the amendment goes down in flames with the voters, despite the required two-thirds in the legislature. Additionally, he stated, the amendment has not had the substantial review in the public that is necessary to make it a viable option, plus he is concerned about having the public weigh in on things that the public has elected legislators to make decisions about. He added that he is also concerned about the destabilizing impact on businesses that this kind of process would bring.

[4:49:38 PM](#)

REPRESENTATIVE KAUFMAN stated he appreciates the creativity but will vote no on the amendment because he needs more time to assimilate the proposal into the big picture.

[4:50:24 PM](#)

REPRESENTATIVE EASTMAN provided closing comments on Amendment 6. He remarked that new ideas rarely find support on the first pass. He said Amendment 6 would make the appropriation process apply to how money is being spent and eliminate from the appropriation process the decision of whether to draw from the permanent fund, which is a decision that has hampered progress on various debate. Conversation on appropriation of permanent fund draws through the ERA and appropriation of dividends has not moved forward because [the legislature] has not been effective at bringing the public into that conversation in a meaningful way. How to accomplish that is the question and there hasn't been an attempt to solve that issue. Any solution found for the long term will have the criteria of making the appropriation automatic as a transfer and the legislature, governor, and public getting to have input.

REPRESENTATIVE EASTMAN [moved to withdraw] Amendment 6. [There being objection, Amendment 6 was withdrawn.]

[4:52:33 PM](#)

CHAIR KREISS-TOMKINS invited final comment on HJR 7, as amended.

[4:53:07 PM](#)

REPRESENTATIVE TARR supported moving HJR 7, as amended, so it could be considered with other measures that are being moved along.

[4:53:28 PM](#)

REPRESENTATIVE CLAMAN stated he would not oppose moving HJR 7, as amended, forward in the committee process, but he has reservations and questions about the resolution. It adds a lot more complexity to the proposals that might be before the legislature, he said.

[4:54:08 PM](#)

REPRESENTATIVE KAUFMAN supported moving HJR 7 forward. He said it is an important discussion that legislators are having about how to best manage the corpus of the permanent fund, how it benefits people as individuals, and how it benefits people through the state. As the corpus grows and as the state is increasingly funded from this, he opined, it may become a trust fund baby that is unhinged from any notion of creating a private sector opportunity. Then, the next thing that will have to be done is to address how to protect Alaska's private economy in the face of a government that is increasingly funded by what amounts to a trust fund for the purpose of government.

[4:55:29 PM](#)

REPRESENTATIVE EASTMAN stated his opposition to moving forward HJR 7, as amended. Critical pieces to this discussion are not being heard, he opined. There is talk about protecting the permanent fund and protecting revenue sources for the state, while there is less talk about protecting the dividend and protecting the people's participation in this process, which in the current language is wholly lacking. He pointed out that on April 30, 2020, the permanent fund had \$63.6 [billion] and today it has \$78.4 billion, an increase of about \$15 billion. Money is available for legislators to be having these conversations and to be making prudent long-term decisions. There is some language in the resolution about protecting a dividend, but it is not meaningfully protected at all. The legislature can adjust a law, he continued, and make it little to nothing prior to enactment of this constitutional amendment, and then it becomes very difficult to amend that. If there is a meager or nonexistent dividend, then very little dividend will be locked

in for the duration, and that is not transparent. Robust protections are needed for the people alongside these protections that are being discussed and proposed for the state's revenue. He concluded by saying he will continue to oppose withdrawing money from the permanent fund in this way.

[4:57:35 PM](#)

REPRESENTATIVE STORY offered her support for moving along HJR 7, as amended. She said it is part of the discussion that is continuing to be had in the legislature and around the state.

CHAIR KREISS-TOMKINS provided closing comments on HJR 7, as amended. He said that directionally the resolution speaks to a couple of core issues that he can support. He opined that there is no way to solve the state's budget problem without four discreet components: revenues, downward pressure on the operating budget, a constitutionalized POMV, and some long-term conclusion on the dividend. All four must happen concurrently or near concurrently because people's support for any one of those will only exist if there is an inter-dependent relationship or something happening on the other three. The resolution speaks to a couple of those, and it is important that the legislature work toward solutions.

[4:58:48 PM](#)

REPRESENTATIVE CLAMAN moved to report HJR 7, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE EASTMAN objected.

[4:59:07 PM](#)

A roll call vote was taken. Representatives Claman, Kaufman, Tarr, Story, and Kreiss-Tomkins voted in favor of the motion to report HJR 7, as amended, out of committee with individual recommendations and the accompanying fiscal notes. Representatives Vance and Eastman voted against it. Therefore, CSHJR 7(STA) was reported out of the House State Affairs Standing Committee by a vote of 5-2.

**HB 73-PERM FUND; ADVISORY VOTE**

[4:59:53 PM](#)

CHAIR KREISS-TOMKINS announced that the next order of business would be HOUSE BILL NO. 73, "An Act relating to use of income of the Alaska permanent fund; relating to the amount of the permanent fund dividend; relating to the duties of the commissioner of revenue; relating to an advisory vote on the permanent fund; providing for an effective date by repealing the effective date of sec. 8, ch. 16, SLA 2018; and providing for an effective date."

CHAIR KREISS-TOMKINS noted that HB 73 is the companion legislation [to CSHJR 7(STA)].

[5:00:24 PM](#)

REPRESENTATIVE CLAMAN stated he does not support the legislation but will vote to move it forward.

REPRESENTATIVE TARR said she [does not support the legislation but will vote to move it forward] because four items [revenues, downward pressure on the operating budget, a constitutionalized POMV, and some long-term conclusion on the dividend] must be under consideration for there to be the grand compromise.

REPRESENTATIVE STORY concurred with Representative Tarr.

[5:01:06 PM](#)

REPRESENTATIVE CLAMAN moved to report HB 73 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE EASTMAN objected.

[5:01:21 PM](#)

A roll call vote was taken. Representatives Story, Claman, Kaufman, Tarr, and Kreiss-Tomkins voted in favor of the motion to report HB 73 out of committee with individual recommendations and the accompanying fiscal notes. Representatives Vance and Eastman voted against it. Therefore, HB 73 was reported out of the House State Affairs Standing Committee by a vote of 5-2.

**HB 187-STATE AGENCY PUBLICATIONS**

[5:01:59 PM](#)

CHAIR KREISS-TOMKINS announced that the final order of business would be HOUSE BILL NO. 187, "An Act relating to the elimination or modification of state agency publications that are outdated, duplicative, or excessive or that could be improved or consolidated with other publications or exclusively delivered electronically; and providing for an effective date."

[5:02:52 PM](#)

REPRESENTATIVE CLAMAN moved to adopt the proposed committee substitute (CS) for HB 187, Version 32-LS0779\G, Wallace, 5/5/21. There being no objection, Version G was before the committee.

[5:03:18 PM](#)

The committee took a brief at-ease.

[5:03:39 PM](#)

CHAIR KREISS-TOMKINS announced that HB 187, Version G, was held over.

[5:04:12 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 5:04 p.m.