

HOUSE FINANCE COMMITTEE

May 4, 2023

1:41 p.m.

1:41:59 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:41 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe (via teleconference)
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Matthew Harvey, Staff, Senator James Kaufman; Trevor Jepsen, Staff, Representative McKay, Sponsor; Representative Will Stapp, Sponsor; Bernard Aoto, Staff, Representative Will Stapp; Ryan McKee, Staff, Representative George Rauscher; Pam Leary, Director, Treasury Division, Department of Revenue; Senator James Kaufman, Sponsor; Alexei Painter, Director, Legislative Finance Division; Representative Tom McKay, Sponsor.

PRESENT VIA TELECONFERENCE

Megan Hillgartner, Natural Resource Manager, Division of Mining, Land and Water, Department of Natural Resources; Peter Buist, Representing self, Fairbanks; Linda Hulbert, self, Fairbanks.

SUMMARY

SB 98 AK PERM FUND CORP. & PCE ENDOWMENT FUND

CSSB 98 (FIN) was REPORTED out of committee with ten "do pass" recommendations and one amend recommendation and with three previously published fiscal impact fiscal notes: FN1 (REV), FN2 (REV), and FN3 (REV).

SB 25 REPEALING FUNDS, ACCOUNTS, AND PROGRAMS

CSSB 25 (FIN) was REPORTED out of committee with nine "DO PASS" recommendations, and one amend recommendation and with one previously published zero fiscal note: FN1 (LEG).

HB 125 TRAPPING CABINS ON STATE LAND

HB 125 was REPORTED out of committee with nine "do pass" recommendations and one amend recommendation and with one previously published fiscal impact note: FN1 (DNR).

HB 38 APPROPRIATION LIMIT; GOV BUDGET

HB 38 was HEARD and HELD in committee for further consideration.

HB 81 VEHICLES/BOATS: TRANSFER ON DEATH TITLE

HB 81 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#sb98

SENATE BILL NO. 98

"An Act relating to state ownership of submerged land underlying navigable water within the boundaries of and adjacent to federal areas; and providing for an effective date."

[1:45:40 PM](#)

Co-Chair Foster discussed the agenda. He began the meeting with a continuation of SB 98 from the morning meeting. He noted that the committee would continue hearing the SB 98 fiscal note from the Department of Revenue (DNR). He explained that the department could lose \$1.179 million if the bill was adopted. The department wanted to backfill the loss with Undesignated General Funds (UGF). He relayed that he had discussed the situation with the bill's sponsor and determined that there were two options. There was a possibility to zero out the fiscal note or keep the fiscal note as is with a one year transition period to offer the department time to figure out ways to backfill the funding or request and justify the full amount again in the FY 2025 budget. He preferred the one year transition option.

[1:47:14 PM](#)

PAM LEARY, DIRECTOR, TREASURY DIVISION, DEPARTMENT OF REVENUE, explained the basis for the fiscal note. She delineated that the division managed \$48 billion in investments and had a budget of roughly \$11.7 million for FY 24. The cost allocation plan divided all costs that equated to its total budget among all the funds it managed. She elaborated that around 80 percent of the funds the treasury managed were the Alaska Retirement Management Board (ARMB) funds and the remaining funds were treasury funds like the Power Cost Equalization Fund (PCE), Public School Funds and a whole host of other funds that were funded through UGF. The fiscal note was an estimate and was based on the \$1.178 million that was calculated to manage the fund based on the cycle. However, with the current lower value of the fund the amount was approximately \$900 thousand. She informed the committee that treasury charged endowment type funds a maximum floor of 10 basis points. She shared that it was an efficient way to manage many funds. When a fund was removed, the costs needed to be reallocated amongst the other funds. Because the funds were funded by UGF, she merely changed the funding source in the fiscal note. She elucidated that every year the division calculated its cost allocation plan and reallocated funds based on the assets under its management. Therefore, each year management costs vary and PCE typically amounted to 2 percent of all the assets treasury managed, the two percent would be reallocated among all the other funds it managed, and they would be charged accordingly.

[1:50:31 PM](#)

Representative Josephson asked why the ARMB fund would be charged more if the fiscal note was adopted. Ms. Leary responded that in the future, the treasury would charge all of the management costs out to all of the funds it managed on a pro rata share, the retirement funds would have a greater share of all the assets. She reminded the committee that the division's process was "very efficient" which kept its costs "very low" when compared to other funds managed elsewhere.

[1:51:29 PM](#)

Representative Hannan understood that the fiscal note overestimated the costs in FY 2025 and in the outgoing years the costs would be zeroed out. Ms. Leary responded in the negative and explained that the treasury would still need the \$1.179 million to manage all of the funds that the treasury managed. If one fund was taken away, there would be fewer dollars in total to cover costs. Representative Hannan asked for confirmation that there would still be a need for additional UGF of an uncertain amount in the future if there was a transitional year to figure a way to recover the costs. Ms. Leary responded in the affirmative and reiterated that treasury refigured its cost allocation plan each year. She maintained that each year was always a guessing game. She exemplified the Constitutional Budget Reserve (CBR) and noted that when the balance was large there was more charges to all the underlying funds and in particular UGF, which funded the CBR. She reported that as the CBR diminished, more costs were charged to the retirement funds. She reiterated that treasury's process was efficient because they could manage hundreds of funds with one team.

Co-Chair Foster understood that the fund source on the fiscal note would switch from Designated General Funds (DGF) to UGF. The revenue treasury gained from charging PCE become DGF. He asked if all the other revenue from investment charges would be UGF. Ms. Leary responded in the negative. She explicated that that the retirement funds were the source of funds for 80 percent of treasury's work, which was not necessarily UGF, but the majority of the costs would be UGF funded for the first year. She characterized it as a "simple approach" since the treasury budget was built on professional estimates. Typically, treasury requested slightly more than estimated, factoring in the amount the investments were expected to grow.

1:55:45 PM

Co-Chair Edgmon asked if she had a sense of when the PCE fund would be transferred to the Permanent Fund if the bill were to pass. Ms. Leary responded that it would occur quickly after the bill took effect. She referenced the \$200 million in losses suffered by the fund, and reminded the committee that \$50 million was in spending, totaling losses of 15 percent. She communicated that as of the end of April 2023, PCE experienced about 7.5 percent in returns. She reminded the committee of the volatility of the market and that the funds were subject to market fluctuations. Co-Chair Edgmon understood that the management team for all of treasury's funds worked on a fixed cost basis and was not a fee based third party contract oriented management. He ascertained that treasury operated as a fixed cost in-house management team. Ms. Leary responded that the majority of the costs were fixed costs especially for PCE types of funds. She expounded that there was a small amount paid in management fees to companies such as SMP 500 for equities and SCI for international equities, which were embedded in the costs. The fees were based on the assets that were managed but were very small and were spread across all assets. She concluded that primarily all the division's costs were fixed.

Co-Chair Edgmon presumed that the cost allocation plan happened at the beginning of the calendar year and not the fiscal year. He deduced that if that were the case and the fund was already transferred in July 2024, he wondered whether the costs could be allocated amongst the other funds and not require any UGF. Ms. Leary answered that the division did the cost allocation plan just before the new year and were currently engaged in the process. She furthered that the majority of the transferred costs would be UGF because they transferred costs to funds that were being managed and supported by UGF. Some costs would be allocated to the ARMB and other funds, but all costs would be allocated out and PCE accounted for 2 percent of management costs, therefore, the division would need a funding source and some part of that would be UGF.

1:59:45 PM

Representative Josephson recalled Ms. Leary's statement that \$978 million was the correct figure versus the \$1.179 million. Ms. Leary answered in the affirmative and

indicated that 10 basis points of the current value would be the amount that was spread among other costs.

Co-Chair Foster asked what the will of the committee regarding the fiscal note was.

[2:00:44 PM](#)

AT EASE

[2:02:02 PM](#)

RECONVENED

[2:02:14 PM](#)

Co-Chair Edgmon asked if there was a way to take an alternative approach to the fiscal note. Ms. Leary responded that in terms of managing all the division's funds they needed the full amount of its budgetary request, it was a question of how the costs were going to get allocated. She furthered that for PCE and other endowment funds, the division switched to charging a minimum floor of 10 basis points, which resulted in needing less UGF because UGF did not support the bulk of the costs since other funds were paying 10 basis points. She disclosed that the average of all the treasury funds was 4 to 5 basis points of total costs. She had been able to decrease reliance on UGF by charging a minimum floor of 10 basis points. Removing one of the funds caused all of the costs to return and would primarily rely on UGF and in future years the costs would be reallocated to all of the funds that the treasury managed, which was also supported by UGF. She determined that treasury needed its requested funding in order to manage all of its funds, even if there was a reduction of one or two funds to manage. Co-Chair Edgmon asked if there was a scenario where the fiscal note could be zeroed out and the department could request supplemental funding to recoup costs. Ms. Leary responded that she did not see a way to zero out the fiscal note unless she started firing people. She thought the treasury was doing a good and efficient job with the amount of funding it received and zeroing out the fiscal note would harm its ability to manage the rest of the funds.

Co-Chair Edgmon determined that he supported the fiscal note and the benefits that could be derived from having the Alaska Permanent Fund Corporation (APFC) manage the PCE portfolio. He also supported the bill.

2:06:09 PM

Co-Chair Foster asked if Representative Galvin still wanted to offer an amendment.

Representative Galvin responded that she was contemplating offering the amount of \$978 thousand for the fiscal note. However, she did not want to slow the process down and the amount might seem insignificant in the future. She supported the fiscal note and the bill.

2:07:08 PM

Representative Stapp agreed with Co-Chair Edgmon and Representative Galvin. He agreed that the value of incorporating the fund into the Permanent Fund overrode the fiscal note concerns. He commented that the APFC took up to 25 basis points to manage a fund versus DOR's 10 basis points. He wondered why DOR did not take higher basis points off to cover management costs instead of requesting UGF. Ms. Leary responded that moving forward the treasury was taking higher basis points in total for each fund because there was less money in total that would be under management. Representative Stapp commented that the basis point number did not matter to him. He asked why she would increase basis points and still need UGF at the same time. He wondered why she would not merely increase the basis points to the amount necessary to administer the funds and not request UGF. Ms. Leary responded that the division's costs were fixed, and the basis points calculation occurred after the costs were determined. She reiterated her answer that by removing a fund the ten basis points charged endowment funds needed to get funded through some other fund and the remaining funds would have a higher basis point calculation because they would be paying more for treasury management than they had been. Representative Stapp understood that removing \$1 billion in assets under management meant the division had to spread its administrative costs to other funds due to less basis points. He repeated his question regarding why she needed to request increased basis points and increased UGF. He did not understand and hoped for a concise answer for why both were needed instead of just one. Ms. Leary responded that she was not asking for additional basis points or more UGF other than to fill the void in the budget created by removing the management of PCE. Representative Stapp asked why not take 13 basis points off the other funds to make up

the loss of assets under management. He asked if it was possible. He reiterated that he did not understand why she needed to increase both UGF and basis points. Ms. Leary answered that it was because a large percentage of the funds were supported by UGF. She maintained that most of the funds were UGF funded therefore, UGF was needed to manage a UGF funded fund.

[2:12:18 PM](#)

Representative Ortiz agreed with Co-Chair Edgmon's sentiments and supported the bill. He asked how much of UGF went to supporting the treasury annually. Ms. Leary responded that the amount in FY 22 was nearly \$1.8 million of the total amount. She added that for FY 2024, the amount decreased to \$1 million, which included the PCE fund. Representative Ortiz was confused by the answer. He understood her answer as all the UGF used to support treasury was the amount used to manage PCE. He asked whether all the money was encapsulated in the \$1.8 million figure. Ms. Leary replied that the retirement plans accounted for \$8 million which was about 80 percent of the division's budget. The remainder was through UGF totaling \$1 million, PCE totaling \$1.2 million, and the other funds accounted for around \$1.5 million from the Higher Education Fund, Airport Systems, and the Public Schools Trust fund.

[2:14:39 PM](#)

Representative Galvin pondered if the fiscal note were to be maintained as is in the out years, whether the cost allocation plan was inclusive of the fiscal note. She thought it might act as a disincentive to increase the basis points. She asked why basis points would be increased if the offset funding was included in the fiscal note. Ms. Leary replied that the cost allocation plan allocated all treasury's costs. The amount budgeted was the limit of what the treasury could spend and as funds grew the divisions expenses grew as well. She asked Representative Galvin to repeat part of the question regarding incentives. Representative Galvin asked what the incentive was to increase the basis points so that UGF would not be necessary. The cost impact over the loss of one fund made sense for the current year. However, she wondered why it was necessary in the oncoming years. If the fiscal note stayed in place for the outyears, it would make it more

difficult to make changes that needed to be made to cover the costs.

Co-Chair Foster interjected that fiscal notes were only incorporated into the budget for the fiscal year's budget they were written to. In the current case, the amount would be included in the FY 2024 budget during conference committee. In subsequent years, the departments would come before the legislature to request their budgets. He detailed that DOR would still need to come before the legislature and ask for funds for future years. The request could be revisited every year.

[2:18:41 PM](#)

Co-Chair Foster thought that SB 98 was an example of a so called "simple bill" proving that they were not always simple.

Co-Chair Edgmon moved to was REPORTED out CSSB 98 (FIN) out of committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

CSSB 98 (FIN) was REPORTED out of committee with ten "do pass" recommendations and one amend recommendation and with three previously published fiscal impact fiscal notes: FN1 (REV), FN2 (REV), and FN3 (REV).

[2:19:44 PM](#)

AT EASE

[2:21:28 PM](#)

RECONVENED

#sb25

SENATE BILL NO. 25

"An Act relating to inactive state accounts and funds; relating to the curriculum improvement and best practices fund; relating to the fuel emergency fund and fuel emergency grants; relating to the special Alaska Historical Commission receipts account; relating to the rural electrification revolving loan fund and loans from the fund; relating to the Southeast energy fund and grants from the fund; and

relating to the Exxon Valdez oil spill unincorporated rural community grant fund and grants from the fund."

[2:21:55 PM](#)

Co-Chair Foster requested a brief recap of the bill.

SENATOR JAMES KAUFMAN, SPONSOR, introduced himself and provided a brief overview of the bill. He explained that SB 25 was a "simple improvement bill," which reduced administrative costs and complexity associated with the maintenance and tracking of accounts that were no longer needed but were still open. The legislature had a history of creating accounts that eventually sat dormant or the original purpose of the account is no longer necessary. The bill establishes a bi-annual review of funds to identify funds that are no longer needed. The legislature would ultimately decide which funds could be closed. He summarized the bill as an "elegant little bill" or "performance improvement bill" that reduced unneeded accounts and funds.

Co-Chair Foster asked Senator Kaufman if he wanted to discuss some of the accounts that could potentially be eliminated. Senator Kaufman answered that many of the accounts had names that "sounded compelling" but were intensively vetted. He mentioned a handout (copy on file) included in the bill packet that contains a sample of the funds for potential elimination.

[2:24:32 PM](#)

Alexei Painter, Director, Legislative Finance Division, explained the zero fiscal note (FN1 (LEG)). He indicated that the Legislative Finance Division (LFD) prepared the fiscal note and determined that LFD would be able to absorb the additional duties described in the amending language of the legislation within its current resources. He added that the bill required the division to create a report by the session beginning in 2025.

[2:25:24 PM](#)

Representative Galvin cited a list of inactive funds included in the sponsor statement. She reported that the sponsor statement mentioned analyzing 39 funds. She wondered why only five were listed.

[2:26:18 PM](#)

MATTHEW HARVEY, STAFF, SENATOR JAMES KAUFMAN, confirmed that there was a larger list of inactive or unused funds. He offered that he had received a memo listing which funds could be repealed under the single subject rule and which would require specific bills because they affected more than one section of Alaska Statutes. They began the process by looking at funds on the single subject rule list and through the vetting process found stakeholders of various funds that had contractual obligations or outstanding loans that were tied to some of the funds, which reduced the list from 9 funds to 5 funds that were compiled under the single subject rule. He exemplified that the Rural Electrification Revolving Loan Fund was duplicative with the Electrical Service Extension Fund that was currently in use for the same purpose.

[2:27:43 PM](#)

Representative Tomaszewski asked how funds were managed that were just sitting there. He questioned why there was no active management and whether the state was spending General Funds (GF) to manage the inactive funds.

Mr. Painter replied that the funds proposed for repeal all had a zero balance and did not have a cost associated for management of the funds. He added that after the failure of the reverse sweep for a few years, the accounts had a zero balance. Treasury did not charge basis points to manage many of the small accounts, it would be impractical to charge pennies for their management.

[2:28:53 PM](#)

Representative Hannan asked about the Fuel Emergency Fund listed on the sponsor statement. She noted that the reason for repealing the fund was because the Disaster Relief Fund statute was amended in 2000 to add fuel shortages as an allowable use. She determined that the governing statute for the Disaster Relief Fund appeared to require that a disaster had to be declared. She discovered that the Fuel Emergency Fund did not need a disaster declaration to disperse funds. She wanted to ensure that another inefficient step was not being created unnecessarily, like the need to declare an emergency, through elimination of the fund. Mr. Painter responded that the legislature had

not put money into the fund since 1994. He deduced that while there were theoretical instances in which the fund had a purpose, it was left unfunded for decades and could not serve the purpose. He supposed that the legislature could begin using the fund again.

Representative Hannan asked if the Disaster Relief Fund statute required that there be a declared disaster to expend the funds. Mr. Painter responded in the affirmative. Representative Hannan expressed concern about eliminating an emergency fund. She had heard of communities running out of fuel. In circumstances where a disaster was not declared, she was apprehensive to eliminate the fund and was interested in recapitalizing the fund.

Senator Kaufman responded that the Disaster Relief Fund Statute was amended to add fuel shortages as an allowable use, making the fund unnecessary.

Co-Chair Foster asked if a disaster would need to be declared in order to use the Disaster Relief Fund. Senator Kaufman answered in the affirmative. Co-Chair Foster was also concerned that there might be uses for the fund.

[2:32:58 PM](#)

Representative Josephson assumed that each of the funds were established under a bill. He asked if there would be placeholder or hollow statutes without an accompanying fund. He deduced that under the title of cleanup there would be laws with no purpose. He asked whether he was correct. Senator Kaufman found the inverse to Representative Josephson's scenario and discovered that the statute had moved on, but the fund still existed. He felt that the most important aspect of the bill was not the list but establishing the mechanism to cleanup unused funds.

Co-Chair Edgmon commented that the amount of funds in the state statutes were expansive. He understood the need to rid the books of dormant funds. He favored the elimination of the Fuel Emergency Fund being removed as long as the Disaster Relief Fund remained. He mentioned that the Bulk Fuel Loan Upgrade Program in the Capital Budget dealt with the issue. He questioned how the Fuel Emergency Fund would be allocated on a programmatic basis acknowledging the fact that if one community was in need many others would be in need.

Co-Chair Foster noted his opinion had been swayed by Co-Chair Edgmon. He voiced that the current process was working.

[2:36:06 PM](#)

Co-Chair Foster OPENED Public Testimony on SB 25.

[2:36:36 PM](#)

Co-Chair Foster CLOSED Public Testimony.

[2:37:13 PM](#)

Co-Chair Johnson moved to was REPORT CSSB 25(FIN) out of committee with individual recommendations recommendation and the accompanying fiscal note.

[2:37:32 PM](#)

Representative Ortiz OBJECTED for discussion.

Representative Ortiz guessed that prior to the bill, there was no one looking at the accounts. He wondered why the accounts were not being scrutinized prior to the bill and why was a bill necessary to close the accounts. Senator Kaufman answered that the opportunity was there, but the focus and the process was not there. The bill provided the statutory framework. He believed that the bill created a routine process that benefitted the state.

Representative Ortiz WITHDREW his OBJECTION.

[2:39:27 PM](#)

There being NO OBJECTION, it was so ordered.

CSSB 25 (FIN) was REPORTED out of committee with nine "DO PASS" recommendations, and one amend recommendation and with one previously published zero fiscal note: FN1 (LEG).

#hb125

HOUSE BILL NO. 125

"An Act relating to trapping cabins on state land; and relating to trapping cabin permit fees."

2:40:44 PM

Co-Chair Foster asked the bill's sponsor to provide a brief recap.

2:41:07 PM

REPRESENTATIVE TOM MCKAY, SPONSOR, gave a brief summary of the bill. He thanked the committee for the prior discussion on the bill and asked for members' support. He commented that the legislation provided "common sense" reform to the current statutes related to Trapping Cabin Construction Permits (TCCP).

2:41:57 PM

TREVOR JEPSEN, STAFF, REPRESENTATIVE MCKAY, offered a PowerPoint Presentation titled "HB 125 Highlights" dated April 27, 2023 (copy on file). He turned to slide 2 titled "Trapping Cabin Permit Process:"

Trapping cabin permits currently issued under two statutes:

AS 38.95.075 Permits for the Use of Trapping Cabins

AS 38.95.080 Trapping Cabin Construction Permits

Statutes create unnecessary confusion in permitting process and restricts DNR from permitting cabins under certain scenarios.

Mr. Jepsen elaborated that the bill combined both authorization types under one statute. He discussed slide 3 titled "AS 38.95.075 - Permits for the Use of Trapping Cabins:"

AS 38.95.075 states how the DNR issues permits for cabins that already exist.

Issue arises with cabins that have lapsed in ownership/use or have been abandoned.

DNR unable to issue new trapping cabin permits in these scenarios.

Mr. Jepsen continued that under the current statute, the Department of Natural Resources (DNR) was unable to permit many existing cabins on state land due to the restrictive language of AS 38.95.075, which required proof of use of an existing cabin prior to August 1, 1984. He moved to slide 4 titled "AS 38.95.080 - Trapping Cabin Construction Permits:"

AS 38.95.080 authorizes the DNR issues permits for the construction of new trapping cabins.

1. The person must have an established trapline with proof of regular use;
2. The person must have a trapline of sufficient length to justify the need for cabin construction.

38.95.080 also outlines responsibilities of the department and additional requirements and restrictions for trapping cabin construction permits.

Mr. Jepsen delineated that the bill combined both authorization types under one statute providing more consistency and clarity. He reviewed slide 5 titled "HB 125 Highlights:"

HB 125 revises AS 38.95.080 (Trapping Cabin Construction Permits) to include all trapping cabin permit situations and repeals AS 38.95.075 (Permits for the Use of Trapping Cabins)

Allows the DNR to permit existing cabins on state lands.

Updates application fee schedule and sets all related fees in statute.

Provides further clarity than current statute for issuing trapping cabin permits.

HB 125 was the result of the House Resources Committee working with DNR and the Alaska Trappers Association.

Mr. Jepsen pointed out that HB 125 allowed DNR to permit existing cabins on state lands for trapping if the applicant did not build a cabin without permission and demonstrated that they actively used a trapline that

necessitated the use of a cabin for safety purposes. He emphasized that the bill did not grant exclusive rights to existing cabins and the department could also issue multiple permits for the same cabin. The permits for existing and new cabins do not represent a disposal of interest or granted preference rights to a future lease or purchase of land. In addition, the cabins must solely be used for trapping activities, were for seasonal use only, and a permittee was prohibited from residing in a trapping cabin. The department may not impose additional land use fees.

[2:44:36 PM](#)

Representative Josephson asked how many total cabins currently existed. MR. Jepsen answered that there were 83 active trapping cabins and believed that more existed. He deferred to DNR for further answer.

[2:45:14 PM](#)

MEGAN HILLGARTNER, NATURAL RESOURCE MANAGER, DIVISION OF MINING, LAND AND WATER, DEPARTMENT OF NATURAL RESOURCES (via teleconference), responded that there were currently 83 permitted cabins and 12 were pre-statehood cabins. Representative Josephson asked how many would be grandfathered in under HB 125. Ms. Hillgartner asked what Representative Josephson meant by grandfathered. She wondered whether he meant how many cabins would be able to be permitted under the proposal. Representative Josephson responded in the affirmative and added that it was his understanding that additional cabins would be added that DNR was not aware of. Ms. Hillgartner responded that the 83 cabins were currently permitted. Currently, there was not a way to know how many trappers would want to use the existing cabins. Representative Josephson asked if the cabins were not available to a non-trapper for recreational use. Mr. Jepsen responded in the affirmative and noted that the trapper would also have to prove a specific set of criteria including proof of an existing trapline and that it necessitated use of a cabin.

Co-Chair Foster moved to the discussion of the fiscal note.

[2:47:55 PM](#)

Ms. Hillgartner reviewed the fiscal impact fiscal note FN1 (DNR). She pointed to the control code ggCOj prepared on 03/24/2023. She indicated that the bill revised AS 38.95.080 and repealed AS 38.95.075 that provided for the issuance of permits for the construction and use of trapping cabins on state land. The department currently charged a fee of \$160 for an application and \$240 for an annual trapping cabin authorization issued under AS 38.95.075 for an existing cabin. She delineated that the application fee is \$400 and \$10 for an annual fee and the use fee is set at \$10 under AS 38.95.080 for the construction of new cabins. On average the department issues one authorization under AS 38.95.075 and nine authorizations under AS 38.95.080 annually. For authorizations under AS 38.95.080 the department collected all annual fees for the ten-year permit at once. She calculated that the revenue amounted to \$4,900 per year. Under the proposed legislation, the application fee would be set at \$100, and the annual use fee set at \$25. The department expected some revenue loss resulting from the bill. However, the department supported the bill because it clarified the trapping cabin statutes.

[2:50:12 PM](#)

Representative Josephson asked if in a typical year most of the 83 cabins were unused. Ms. Hillgartner answered that most of the trapping cabin permits were for the construction of new cabins. The current statute restricted the use of existing cabins by requiring proof of use prior to August 1, 1984.

[2:51:28 PM](#)

Co-Chair Foster OPENED public testimony on HB 125.

[2:52:01 PM](#)

PETER BUIST, SELF, FAIRBANKS (via teleconference), shared his prior work and life experience. He testified in support of HB 125. He thanked the committee for hearing the bill. He felt that the bill was important to trappers in rural areas. He reported that many years ago, he helped craft the original trapper cabin bill and draft the original regulations. He thought the bill addressed many of the problems that had come up over the years and was a "tribute to the collaborative efforts of legislators, trappers, and

DNR. He believed that the bill reduced the administrative burden, reduced DNR trespass problems in rural areas, and kept the trapper cabin program viable. He urged the committee to support the bill.

[2:53:59 PM](#)

Co-Chair Foster CLOSED public testimony.

[2:54:22 PM](#)

Representative Cronk MOVED to report CS HB 125 (RES) out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 125 was REPORTED out of committee with nine "do pass" recommendations and one amend recommendation and with one previously published fiscal impact note: FN1 (DNR).

[2:55:03 PM](#)

Representative McKay thanked the committee for its consideration.

[2:55:43 PM](#)

AT EASE

[3:01:11 PM](#)

RECONVENED

#hb38

HOUSE BILL NO. 38

"An Act relating to an appropriation limit; relating to the budget responsibilities of the governor; and providing for an effective date."

[3:01:40 PM](#)

REPRESENTATIVE WILL STAPP, SPONSOR, introduced himself and asked his staff to continue with the PowerPoint presentation "HJR2 GDP - Based Spending Cap" dated May 2, 2023 (copy on file). He reminded the committee that the bill was previously heard in committee [05/02/23 10:34 A.M.]

[3:02:16 PM](#)

BERNARD AOTO, STAFF, REPRESENTATIVE WILL STAPP, continued on slide 9 titled "Current Statutory Limit:"

- Currently set under AS 37.05.540(b)
- Enacted in 1986
- Mostly aligns with Appropriations Limit under Article IX of the Alaska State Constitution.
- "Appropriations from the treasury made in a fiscal year may not exceed appropriations made in the preceding fiscal year by more than five percent plus the change in population and inflation since the beginning of the preceding fiscal year."
- Change in population is based on an annual estimate by the Department of Labor & Workforce Development.
- Change in inflation is based on Consumer Price Index (CPI) Anchorage as prepares by the US Bureau of Labor Statistics.

Mr. Aoto furthered that the statute also carved out the exceptions to the appropriation limit in Article 9, Section 16 of the Alaska Constitution and added exceptions to include the Alaska Mental Health settlement income account and specific appropriations made to Alaska Mental Health Trust Authority (AMHTA) fund.

Mr. Aoto continued on slide 10 titled "What does HB 38 do?:"

- Aligns with the constitutional proposal in HJR 2 and uses the trailing average of the 5 previous calendar years of Real Gross Domestic Product (GDP) for the State as the metric for the limit.
- Calculating Real GDP
- Takes data for standard GDP calculations by government agencies, subtracts government spending, and adjust for inflation.

- 11% of the total average is the limit for all appropriations not listed as exceptions.
- If enacted by FY24, that would equal approximately \$4.9 B.

Mr. Aoto advanced to slide 11 titled "Appropriations Subject to Limit:"

Subject to Limit:

Unrestricted General Funds (UGF) Operating Expenditures
 UGF Capital Expenditures (some exceptions)
 Payments for Retirement benefits

Not Subject to Limit:

Permanent Funds Dividends
 Appropriations to Permanent Fund/PCE Endowment
 Appropriations to a State Savings Account (ex. CBR, MHTF*)
 Appropriations to capitalize state retirement accounts
 Direct spending from a Disaster Declaration
 Proceeds of bonds that are approved by voters
 Appropriations made from Mental Health Trust Settlement Income Account (AS 37.14.036)

Mr. Aoto elaborated that HB 38 had the same exceptions as HJR 2, however it maintained the added exceptions for the appropriations made from the Mental Health Trust Settlement Income Account (AS 37.14.036) and the Alaska Mental Health Trust fund. The sponsor had consulted with Legislative Legal Services regarding the exceptions, and it was determined that the exceptions were placed in statute as part of the settlement of the Weiss v State of Alaska case, the Supreme Court decision that established the AMHTA.

Mr. Aoto continued to slide 12 [no title]. He noted that the slide contained the same raw data as he presented in the HJR 2 discussion.

[3:05:38 PM](#)

Mr. Aoto advanced to slide 13 [no title]. He pointed to the graph that depicted the statutory amount and noted that the blue bars were associated with appropriations subject to the limit. He detailed that the bar for FY 2024 was excluded because it included the supplemental amount, which

was currently unknown. He pointed out that the current statutory limit had instability and rose and fell which made it difficult to plan year to year. He exemplified the difference between FY 2009 when the appropriation was under \$5 billion and in FY 2008 it was over \$7 billion.

[3:07:25 PM](#)

Mr. Aoto turned to slide 14 titled "Two Primary Goals:"

1. Create an effective appropriations limit to allow the state more stable long term fiscal viability.
2. Align Alaska Statute with Constitutional proposal.

Mr. Aoto moved to slide 15 [untitled] that included a graph depicting the current Constitutional Limit and Statutory Limit and proposals in HB 38 and HJR 2.

Representative Stapp further explained that the orange line on the graph represented the existing Constitutional limit, and the blue line was the current statutory limit. He pointed out that they were not in alignment; the statutory limit was highly variable versus the Constitutional limit that was more consistent. He argued that the Constitutional limit "had rendered itself ineffective." He referenced the FY 2024 limit that was over \$10 billion.

[3:09:23 PM](#)

Representative Ortiz asked if the bars on slide 15 included past or current spending on the Permanent Fund Dividend (PFD).

Mr. Aoto responded that the PFD was an exception to the appropriations limit and was not reflected in the bars. Representative Ortiz thought it was "odd" that the largest expenditure was not a part of the appropriation limit. Representative Stapp responded that prior to the Wielechowski case, the PFD appropriation was never part of GF. He agreed that the PFD appropriation was the largest each year. However, he argued that the year to year inconsistency in the appropriation warranted a separate solution and if it was included in the modeling, the bill would be taking a position what the amount of the dividend should be. He offered to include it in the model if it helped answer the question. Representative Ortiz understood

that it was a big issue and likely should be kept separate. However, if the overall goal was a spending cap, it seemed that the amount spent on the PFD should be considered.

3:11:36 PM

Representative Galvin thought the bill was a good exercise in realizing the need to "level out" the state's spending. She cited the graph lines for HB 38 and HJR 2 and noted her concern that it was inadequate for education spending. She appreciated the need for a reliable spending limit, especially to promote trust in government, but she observed that education spending had not grown to keep pace with costs. She shared that among her two children that were born 10 years apart, the older one had much more educational opportunities in public education than her younger child. She asked for comment. Representative Stapp reminded Representative Galvin that the green and black lines were amended downward in a previous committee of referral. He was attempting to provide structural balance and consistency to long-term appropriations and government. The lines changed if the percentages were amended and might be conducive to Representative Galvin's concerns. He reiterated that the blue and orange lines were not consistent and opined that they incentivized bad behavior. He wanted a "long-term vision for future Alaskans" by operating under fiscal constraints. Representative Galvin recalled that the bill included an appropriation amount that correlated to roughly the Consumer Price Index (CPI.) She opined that the legislature needed to determine the appropriate level of education spending and also an acknowledgement that government spending could not remain flat considering inflationary costs. She asked whether Representative Stapp agreed.

3:15:21 PM

Mr. Aoto answered that she was correct. He added that both of the current limits each presented a different challenge because the metric had to be anchored to something. He elaborated that the Constitutional limit was anchored to a set amount on a set date that only allowed it to increase and not adjust to different economic drivers. The statutory limit changed so drastically from year to year being predicated on the prior years spending that it could not be consistently accounted for. He commented that the bills

offered a set amount that adjusted to economic drivers, which was the Gross Domestic Product (GDP).

Representative Stapp interjected that the benefits of the bills were that it adjusted the limit based off of performance based metrics. He reported that the Constitutional limit stipulated that one-third of the appropriation limit should be allocated towards capital investments in the state. He deduced that the authors were considering "building Alaska's future."

Representative Ortiz also believed that considering the long-term interests of the state was beneficial. He pointed to the HB 38 limit line on the graph and calculated that in FY 2023 the state appropriated an amount that was higher than what was in the state's long-term interest. He deduced that Representative Stapp was inferring that spending above the limit was money ill-spent. Representative Stapp reminded Representative Ortiz that in a prior committee the "metrics were amended downward" and in the original bills the line did not exceed the graph.

[3:18:59 PM](#)

Co-Chair Foster asked if Representative Stapp could provide a copy of what the prior graph looked like prior to the amendments. Representative Stapp agreed to provide the information and he believed that there was a "happy medium" that could be found to apply a structural limitation to budgetary practices and "not intentionally apply excessive downward pressure" on the state's current situation.

[3:19:55 PM](#)

Co-Chair Foster set an amendment deadline for HB 38 and HJR 2 for the following Wednesday May 10, 2023, at 5:00 P.M. in order to allow for some modeling and further discussion.

HB 38 was HEARD and HELD in committee for further consideration.

#hb81

HOUSE BILL NO. 81

"An Act relating to the transfer of a title on the death of the owner; and providing for an effective date."

[3:21:10 PM](#)

RYAN MCKEE, STAFF, REPRESENTATIVE GEORGE RAUSCHER, read the sponsor statement:

The process of probate in the state of Alaska can take anywhere from six months to several years, and can cost family members and beneficiaries thousands, potentially tens of thousands of dollars in legal and filing fees. While the State Legislature has already taken great strides to reduce the costs of probate, there is still much room for improvement.

House Bill 81 continues in spirit with the Uniform Real Property Transfer on Death Act (URPTDA), which unanimously passed both the House and Senate in 2014. URPTDA created the Transfer on Death (TOD) deed, which allows for non-probate transfers of real property. TOD deeds allow Alaskans to select a beneficiary who will receive the property at their passing and removes that property from the process of probate.

In 2016, legislation similar to HB 81 was introduced but the legislation failed to pass that session. HB81 is nearly identical, although it expands the concept to apply both to vehicles and boats that are issued titles through the state.

HB81 continues the ongoing effort to reduce the costs of probate for Alaskans and creates a streamlined service through the DMV through which they can designate beneficiaries for both cars and boats through a simple form. The TOD titles will be available for all boats and vehicles for which the DMV provides titles, which also includes some mobile manufactured homes under AS 45.29.102(66). The program will be self-sustaining through fees.

At no cost to the state, HB 81 will allow countless Alaskans to pass down boats, vehicles, and some manufactured homes to beneficiaries with more ease, and will help simplify and streamline the potentially complicated, costly, and painful process of probate following the death of a loved one.

[3:24:11 PM](#)

Representative Josephson thought that a surviving spouse was defined as a husband and a wife. He asked if the language was amended to be consistent with current law and whether the change would be objectionable to the sponsor. Mr. McKee offered to respond after he spoke with the sponsor.

[3:24:56 PM](#)

Representative Galvin determined that the state already had the provisions for real estate, but it was not in statute for vehicles and boats. She asked whether she was correct. Mr. McKee replied in the affirmative.

[3:25:26 PM](#)

Representative Josephson deduced that in relation to real estate the law referred to tenancy in common, but if the title was just in the name of one spouse or another, he wondered whether the transfer process would proceed quickly.

[3:26:16 PM](#)

LINDA HULBERT, SELF, FAIRBANKS (via teleconference), shared that she was not an attorney, but was employed by New York Life for 33 years and worked with people in the estate and probate process. She was deeply involved in supporting the legislation but stressed that she was not an attorney.

Representative Josephson repeated his question. He explained that when a home was owned jointly by a married couple it was called "tenancy in common." However, in instances where only one spouse held the title and the marriage ended, the titled spouse was not considered the sole owner of the property. He was curious about the ease of which a house was transferred to the other spouse upon the death of one spouse.

[3:28:21 PM](#)

HB 81 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the morning portion of the meeting. He noted that the committee would be recessed until the following morning.

ADJOURNMENT

3:31:17 PM

The meeting was adjourned at 3:31 p.m.