

Alaska Legislature

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House Bill 303 Sponsor Statement

As Alaskans watch the price of oil steadily decline, calls for a stable, secure funding source for the services on which we depend have been echoed across the state. This plan, in conjunction with reductions to the current size of our state government, seeks to provide a long-term solution to our current vulnerability to volatile oil prices, and provide security for future generations. This may not be the silver bullet that solves our budget challenge, but it is the beginning of an important discussion of how to make our assets work for Alaska.

Currently, 30% of all royalties and rents from oil and gas go into the Permanent Fund, and 0.5% goes into the School Trust Fund. This leaves 69.5% of all royalties to go into the General Fund. When oil prices are high, our state can afford expensive budgets, but when prices drop, as they have recently, we are left wondering how to pay for things like public safety and education.

This plan proposes to deposit 25% of oil royalties into the Permanent Fund and to shift the remaining 74.5% to the Dividend Fund, to pay out PFD's to Alaskans. The Dividend would then be decoupled from the Permanent Fund, and a guarantee that our PFD's will not fall below \$1,000 would be in place. For 2016 the Dividend would be unaffected and remain above \$2,000.

Instead of the fluctuating royalties it depends on now, the General Fund would utilize a portion of the Permanent Fund: 5% of the total value of the fund would be deposited into the General Fund. This would result in a net increase of nearly \$2 Billion to the General Fund, significantly closing the fiscal gap.

Does this plan raid the Permanent Fund? No – it just changes its plumbing. Does it jeopardize our PFD's? No – in fact, it is one of the only ways to secure a healthy dividend in perpetuity. Will this lead to a bloated state budget? No – it creates a stable funding stream and keeps government spending at a fixed level.

By utilizing the wisdom of our predecessors, the experience of experts, and strengthening one of Alaska's proudest legacies, the Permanent Fund, we can collectively work towards putting our state back on stable financial footing, and securing services for our future generations. I look forward to this discussion, and the fruits of our work this year.