

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

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Sponsor Statement SB 70

Alaska's economy relies on a single commodity to fund more than 85% of our government and services. When oil was flowing prices were high, the Permanent Fund was created to turn our oil wells into "money wells" and protect the income from overspending. Today, with declining production and lower prices, Alaska faces a significant deficit. The Legislature has cut the operating and capital budgets by over \$3 billion in the last three fiscal years, but has needed to continue to draw from our savings accounts to fill the budget gap.

Senate Bill 70 balances current needs while honoring the intent and success of the Permanent Fund. It will ensure an annual, steady, and reliable Permanent Fund Dividend to every eligible Alaskan, while providing a revenue stream to help fund health care, first responders, infrastructure projects, and transportation needs to all Alaskans. Most importantly, SB 70 accommodates volatility in our revenue stream and protects from overspending by reducing the draw from our Permanent Fund when other revenues increase. By setting a limit on how much the legislature can appropriate every year with regard to our operating expense at \$4.1 billion, SB 70 will continue to require the Legislature to cut the budget and for state government to be managed in an efficient and effective manner.

Specifically, this legislation sets a dividend amount of \$1,000 for the next three years with a Percent of Market Value (POMV) set at 5.25% of the value of the Permanent Fund. In fiscal year 2021, the POMV is reduced to 5% and the dividend payout will be calculated at 25% of the POMV draw. The 5.25% POMV is estimated to provide \$1.9 billion in revenue to the State with a slight increase in dividends going forward.

Now is the time to pass an effective statutory appropriation limit and a POMV plan. Had a POMV been passed a decade ago, we would have received nearly \$2 billion more to provide essential services for Alaskans. The passage of this legislation will allow us to once again grow our savings accounts and bring Alaska out of the current recession.