ALASKA STATE LEGISLATURE

REPRESENTATIVE ADAM WOOL

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Official Business

HB 132
Sponsor Statement

HB 132 aims to maintain annual, oil-derived payments to Alaskans while reducing the uncertainty in government funding inherent in the status quo. This will be accomplished by calculating the PFD based on a percentage of oil revenues.

The Alaska Permanent Fund (PF) is the repository for much of the state's mineral wealth, with the overwhelming majority of that wealth originally derived from oil. Every year, funds are deposited into the corpus of the PF, and are then invested in stocks, bonds, real estate, and other financial instruments. Over time, this principal produces earnings from which Alaskans receive an annual Permanent Fund Dividend (PFD) check. Given the original source of the corpus funds, many Alaskans view the PFD as their share of the state's oil money.

Historically, PFDs have been based on a 5-year rolling average of PF earnings. Gubernatorial vetoes and lower legislative appropriation have reduced the amount of the PFD from their statutory value in each of the last three years. Barring a change, it appears likely that the value of the PFD will continue to be debated annually by the legislature, with the proportion of the Percentage of Market Value (POMV) allocated to government services and the PFD constantly in flux.

If passed, HB 132 would ensure steady funding for government services by leaving the POMV draw reserved for a specific purpose rather than split. Residents would continue to be paid, with the value of their annual royalty checks now tied directly to the state's mineral (oil) revenue. The value of the dividend would fluctuate along with the price and production of oil. This uncertainty is better sustained in the dividend check, as certainty and predictability are of paramount importance for planning government spending into the future.

If the price or volume of oil production increased, so too would our checks.

If oil taxes increased, so would the dividend.

If new natural gas resources came online, dividends would rise.

Increased dividends would also offset the negative effects (higher fuel, utilities, and shipping prices) caused when oil prices are high.

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