

# LEGISLATIVE RESEARCH SERVICES

29<sup>th</sup> Alaska Legislature  
LRS Report 16.211  
April 6, 2016



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## Permanent Fund Dividend Hold Harmless Program

Susan Haymes, Legislative Analyst

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***You asked about the Permanent Fund Dividend Hold Harmless Program. Specifically, you wished to know how the program is funded, if the program reduces the amount of the permanent fund dividend (PFD), and the impact of eliminating the Hold Harmless program or shifting the funding source to the general fund. Additionally, you wished to know the portion of PFD Hold Harmless recipients who do not receive a PFD due to garnishment.***

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Each year the Legislature appropriates funds from the Permanent Fund earnings reserve account for permanent fund dividends (PFDs), inflation-proofing, and other lawful purposes the Legislature may designate.<sup>1</sup> In 1988, the Permanent Fund Dividend Division was established within the Department of Revenue to administer the PFD program. Each year the Legislature appropriates money from Permanent Fund earnings account to fund the division's work. Other uses of the earnings that have been established in statute, include the PFD Hold Harmless program and the PFD Criminal Fund. The Hold Harmless program involves an appropriation to the Department of Health and Social Services for persons denied medical assistance or benefits under federal law as a result of receiving a PFD. The program provides coverage for benefits lost because of the dividend (AS 43.23.075). The PFD Criminal Fund represents the number of inmates who could have applied for a PFD and would have been found eligible had they not been incarcerated, multiplied by the estimated amount of the PFD for that year (AS 43.23.055[5]).<sup>2</sup> In recent years, most of this fund has been appropriated to the Department of Corrections to be used for inmate healthcare. For example, in FY 2014, \$8.4 million was appropriated for inmate health care and \$1.5 million to the Violent Crimes Compensation Board.

More recently, in 2005, the Legislature created the Alaska Capital Income Fund (ACIF), which consists of the interest earned on revenues from the North Slope royalty case settlements known collectively as *Amerada Hess* (AS 37.05.565). Under AS 37.13.145(c), such income is deposited into the Permanent Fund, but is not available for distribution to the dividend fund and is not subject to inflation-proofing.<sup>3</sup> The deposits from the Permanent Fund to the ACIF are based on the realized earnings for one year. In FY 2015, the ACIF received an appropriation of \$24 million.<sup>4</sup> Funds in the ACIF may be further used for any government purpose.

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<sup>1</sup> State law requires that approximately half of the annual income is used for PFDs and as much of the balance as necessary is deposited into the principal to account for losses in the Fund due to inflation. Funds remaining after these two obligations have been met remain in the earnings reserve account and are available for spending by the Legislature (AS 37.13.145).

<sup>2</sup> In 1988, the Legislature amended AS 43.23.005 to make ineligible any person who is convicted of a felony and incarcerated during any period of a qualifying PFD year as a result of the conviction. The Legislature further intended that an amount "approximately equal to the money" that would otherwise have been paid as dividends to individuals under this law, be appropriated annually from the dividend fund to the Crime Victim Compensation Fund (ch 54 SLA 1988).

<sup>3</sup> As the use of this money does not affect the PFD, in 2005, Governor Frank Murkowski proposed creating the ACIF to use these Permanent Fund earnings for government services.

<sup>4</sup> Alaska Permanent Fund Corporation 2015 Annual Report is available at [http://www.apfc.org/\\_amiReportsArchive/APFC\\_AnnualReport\\_Web.pdf](http://www.apfc.org/_amiReportsArchive/APFC_AnnualReport_Web.pdf).

## Permanent Fund Hold Harmless Program

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In 1982, Alaska lawmakers enacted AS 43.23.075, which prohibits the Alaska Department of Health and Social Services (DHSS) from considering the PFD when determining eligibility for public assistance programs. At the same time, lawmakers established the PFD Hold Harmless program, which allows the DHSS to cover benefits for persons denied medical assistance, and other benefits under federal law as a result of receiving a PFD (ch 102 SLA 1982).<sup>5</sup> The state provides medical or cash assistance to individuals who, as a result of being issued a PFD, would be denied benefits from the following programs: Adult Public Assistance (APA), Food Stamps, Medicaid, Supplemental Security Income, and Temporary Assistance. The DHSS administers the Hold Harmless program through joint state-federal agreements that allow recipients to continue to receive benefits. The amount needed for the program is calculated by the DHSS and is based on the payments required to cover the benefits lost due to the issuance of a PFD.

The Legislature recognized that the PFD program creates an unintended consequence not only for the individual benefit recipients but also for the agencies that administer the benefit programs. The issuance of PFDs creates a unique situation in which almost all public assistance recipients could potentially become ineligible for one or more benefits at the same time. Such a scenario could impact thousands of Alaskans. According to the Division of Public Assistance's Dashboard, as of February 2016, 82,451 Alaskans receive food stamps, 18,886 receive adult public assistance, and 7,882 receive temporary assistance.<sup>6</sup> Absent the Hold Harmless program, not only would thousands of people be facing a reduction or termination of benefits, but these individuals would then need to reapply for benefits, which would add a potentially overwhelming number of applicants to an already heavy caseload administered by the Division of Public Assistance. For example, the division received 4,024 new applications for food stamps in February 2016 alone. At the time of its inception, the Hold Harmless program was viewed as a means to ensure the issuance of a PFD, a source of good for Alaskans and not of harm.<sup>7</sup> In other words, the program does not provide "a double benefit," but rather protects the continuation of public assistance for otherwise eligible individuals.

In 2014, the PFD was \$1,884, which was arrived at by dividing the total amount available for dividends—\$1.2 billion—with the number of eligible applicants, which was estimated at 641,489.<sup>8</sup> The \$1.2 billion reflects the reductions made for the Hold Harmless program (\$17.7 million), the Department of Corrections (\$8.4 million), the PFD Division (\$8.3 million), the Violent Crimes Compensation Board (1.5 million), and other miscellaneous reductions (\$766,480). If the Hold Harmless Program had been eliminated in 2014, and the \$17.7 million spent on the program had been added to the total amount available for dividends, each eligible Alaskan would have received a PFD of \$1,911.36, an increase of \$23.76. At the same time, thousands of Alaskans would have lost their eligibility for public assistance benefits for at least some period of time, possibly months, depending on the wait time to reinstate benefits. If funds for the Hold Harmless program were to come from the General Fund rather than the Permanent Fund, the program would need to compete against numerous other important state programs that rely on diminishing general fund revenues. It is impossible to predict if such funds would be forthcoming.

Every resident of Alaska who meets the eligibility criteria receives an annual PFD. This includes beneficiaries of the Hold Harmless program who, as a result of the program, continue to receive public assistance benefits, even if under federal rules the PFD has made them ineligible.

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<sup>5</sup> The Hold Harmless Program began in 1982, and since 1985, funding for the program has come from the Permanent Fund. Before 1985, the program was funded through the general fund.

<sup>6</sup> Recipients may receive assistance from more than one program and, therefore, may be counted more than once. The Public Assistance Division's Dashboard can be accessed at <http://dhss.alaska.gov/dpa/Pages/Dashboard.aspx>.

<sup>7</sup> Karen Oakley, "Longevity Bonus and Permanent Fund Dividend "Hold Harmless" Provisions," House Research Agency Report 87.136.

<sup>8</sup> Alaska Permanent Fund Dividend Division, *Annual Report 2014*, is available at [http://pfd.alaska.gov/LinkClick.aspx?fileticket=MXgVzMjdc\\_o%3d&tabid=506&portalid=6&mid=6428](http://pfd.alaska.gov/LinkClick.aspx?fileticket=MXgVzMjdc_o%3d&tabid=506&portalid=6&mid=6428). The 2015 PFD was \$2,072.

### ***Hold Harmless Recipients Whose PFDs are Subject to Garnishment***

Determining the PFD Hold Harmless beneficiaries who have had some portion of their PFD garnished requires a match between a data set provided by the Permanent Fund Dividend Division and a data set provided by DHSS which includes hold harmless beneficiaries for that year. Sara Race, PFD Division Director, noted that conducting such a match is theoretically possible, but the time and effort it would take depends on the size of the data sets, the method by which each division stores its data, and ability to use unique identifiers to make an accurate match.<sup>9</sup> We have asked DHSS and the PFD Division to discuss how such an analysis might be done and how long it will take. We will provide you with that information as soon as it is available.

We hope this is helpful. If you have questions or need additional information, please let us know.

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<sup>9</sup> Ms. Race can be reached at 907.465.4785.

## Susan Haymes

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**From:** Susan Haymes  
**Sent:** Monday, April 18, 2016 10:01 AM  
**To:** [REDACTED]  
**Subject:** Legislative Research Request

[REDACTED]

Below is the response from Sara Race, PFD Division Director, regarding the portion of PFD Hold Harmless recipients who did not receive a PFD due to garnishment. Briefly, 2,421 or 14.8 percent of individuals identified by DHSS as Hold Harmless recipients had at least one garnishment in 2015.

Please see results below that were produced when analyzing the number of individuals that benefited from the Hold Harmless provision that also filed for a 2015 dividend.

When comparing our records with DHSS we only confirmed individuals as “matched” utilizing a standard four point matching process, first name, last name, social security number, and date of birth, to individuals that filed for a 2015 permanent fund dividend. In order to pay a garnishment an individual must file, be determined eligible to receive the dividend, and be placed into a payable status. Of the total individuals matched 2,421 had at least one garnishment attached to their dividend. Please note that a dividend may be entirely garnished by levy, entirely garnished by many levies, or may be partially garnished by one or many levies. Therefore the amount, if any, received by the applicant in this category varies drastically.

| Number of people in DHSS List | Number who 4 point matched with PFD for dividend year 2015 | Of those matched to PFD, this many were paid a PFD. | Of those paid a PFD, this many had at least one garnishment pay (excludes \$2, PCG, UACS, Backup Withholding) |
|-------------------------------|--|---|---|
| 16,335                        | 13,661   | 13,113  | 2,421   |

Please let us know if you have any questions or need additional information.

Best—

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