

HB 300 - POMV Allocation: A Sustainable Solution for Alaska



Representative Adam Wool

The 2018 Passage of SB26 Largely Solved the Budget Crisis

- The “POMV” structure provides a stable funding stream to support state government that should help us for generations
- SB26 was a historic compromise three years in the making
- However, the bill that passed was somewhat “stripped down” from the two versions that originally passed the House and Senate.
- Most importantly, it did not include a formula to divide the annual draw between government and dividends and it did not remove the old PFD statutes

The 2018 Passage of SB26 Largely Solved the Budget Crisis

- The amount available for the general fund equals the total POMV draw less whatever is appropriated for Permanent Fund Dividends
- For as long as the PFD remains subject to intense annual debate, the state cannot depend on a predictable revenue stream
- **It is essential to pass a new allocation formula based on the POMV**

There is no consensus on the size of the dividend... ... but large dividends equal large budget deficits

Assumptions

1. Governor's budget proposal (\$4.6 billion UGF for Operating and Capital)
2. Fall 2019 Revenue Forecast (\$2.0 billion UGF)
3. No new revenue impacting FY2021

Options (just some possibilities)

- A. Governor's Plan: **\$3,074 Dividend, \$1.5 billion deficit**
CBRF runs out in roughly October, 2021
- B. "50/50" Plan (half of POMV): **\$2,400 dividend, \$1.1 billion deficit**
CBRF runs out in roughly June, 2022
- C. "67/33" Plan: **\$1,600 dividend, \$600 million deficit**
CBRF runs out in roughly December, 2023
- D. "Surplus" Plan: **\$700 dividend, balanced budget**
CBRF is stable but dividends will likely continue to decline

HB 300 - An allocation concept that solves many core problems while still respecting the desire for a "50/50" split

FY2021 POMV will be \$3,095 million

- **40%** designated for K-12 education (\$1,238 million, fully funds BSA)
- **10%** designated for the University of Alaska (\$310 million; restores FY2019 funding level)
- **10%** designated for capital projects (doubles recent amounts)
- **10%** designated for a Community Dividend (expands the "Community Assistance" Program and replaces current programs)
- The remaining 30% split 50/50
 - **15%** to the General Fund
 - **15%** to Permanent Fund Dividends (\$464 million, about \$725 each)

A dividend tied to the POMV is better than a “surplus” dividend

- A 2020 dividend based on remaining funds from forecasted revenue expected total budgets would be about \$700
- The “50% of 30%” dividend in HB300 would also be about \$700
- However, many Alaskans are dubious of the “surplus” dividend. They have realistic fear that budgets will grow in the next several years and absorb all of it
- A statutory dividend, even a small one, is something people can count on and more easily support
- A 2:1 split of the remaining 30% would yield a PFD of \$966 (20% POMV)

Community Dividend

- Some form of community revenue sharing has been in place since 1969. The formula has been changed several times
- The current formula distributes \$30 million per year through the Community Assistance program
- HB 300 increases the Borough base from \$300,000 to \$1 million; the city base from \$75,000 to \$250,000; and unincorporated communities base from \$25,000 to \$83,333
- Total funding distribution is capped at \$1,200 per capita

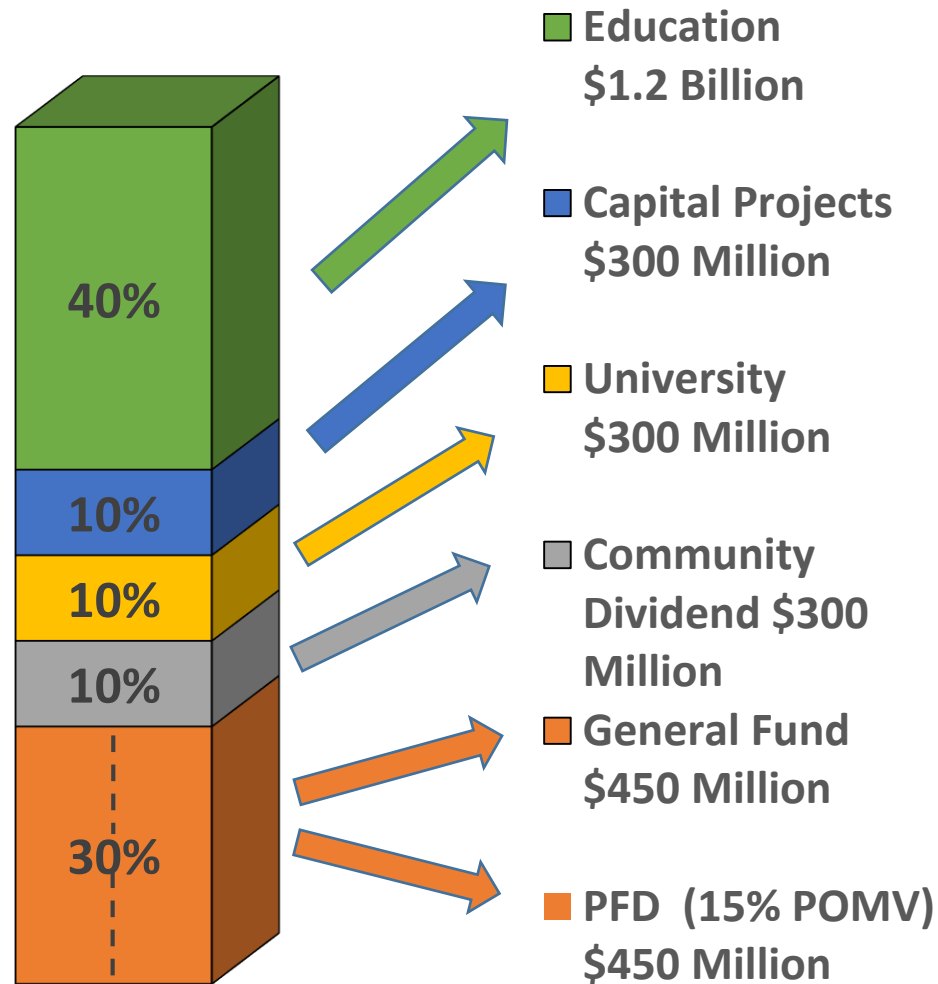
Community Dividend Benefits

- Brings funds closer to individual, further from the state
- Higher per person distribution for smaller communities
- Alleviates some of the strain that a smaller PFD will have on rural communities
- Increases purchasing power of individual PFD by pooling these funds at a local level
- Smaller communities that hit the per person cap of \$1200 combined with a \$725 PFD reach \$2000 per person
- Gives communities more autonomy and local residents more voice in how funds are spent

Budget Impacts of HB 300

- Increases in HB300 vs. Current Budget
 - Capital Budget est. +\$150 million
 - University +\$33 million
 - Community Assistance +\$270 million
- Potential Decreases in the Budget
 - School Bond Debt (\$70M)
 - Misc. municipal and university debt support (\$10 million)
 - Municipal portion of PERS/TRS additional contributions
 - Community Block Grants
 - Public Safety
 - Transportation Maintenance, etc. (DOT)
 - Not paying a \$1600 PFD (\$600M)

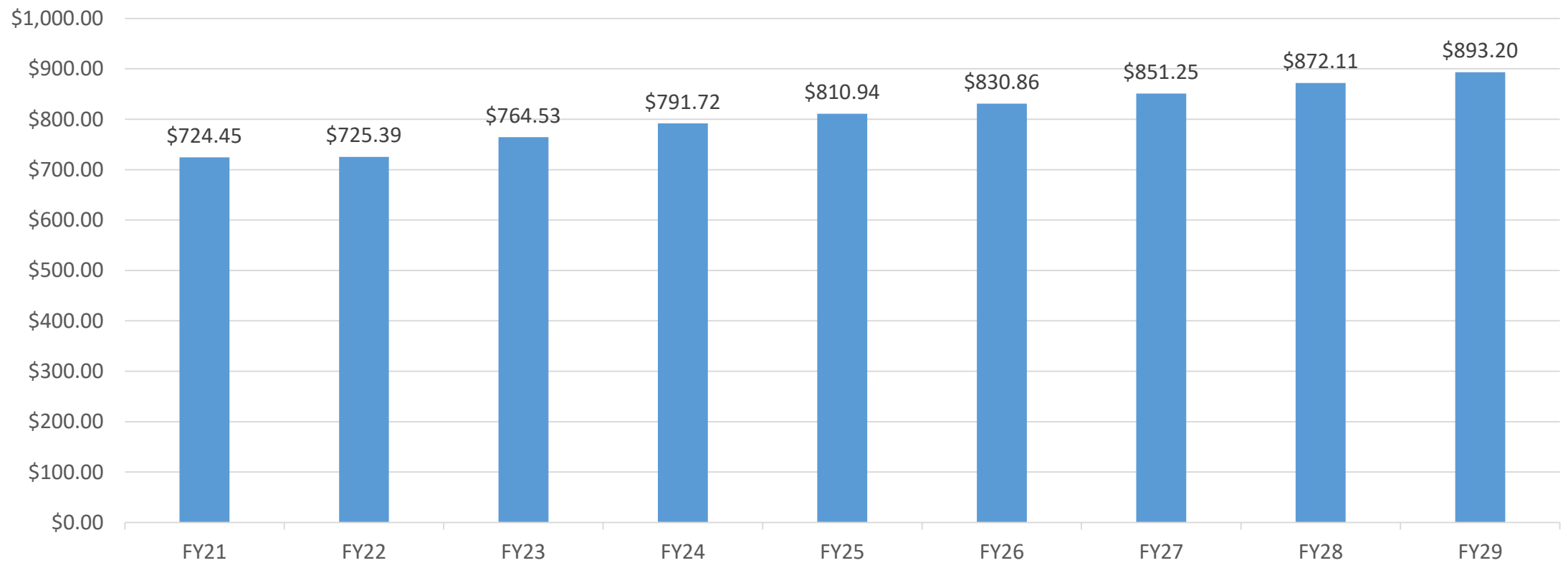
\$3Billion POMV



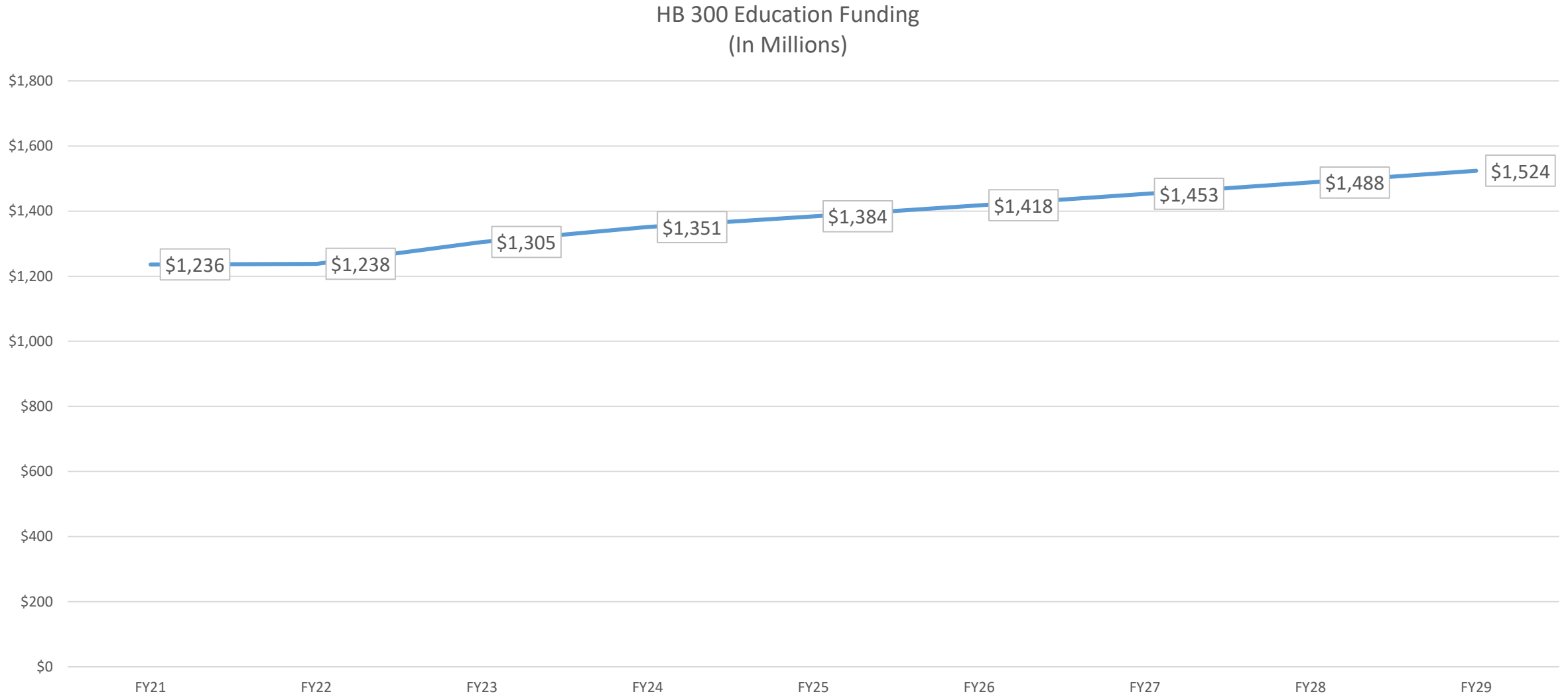
≈ \$725 CHECK

PFD – 15% POMV

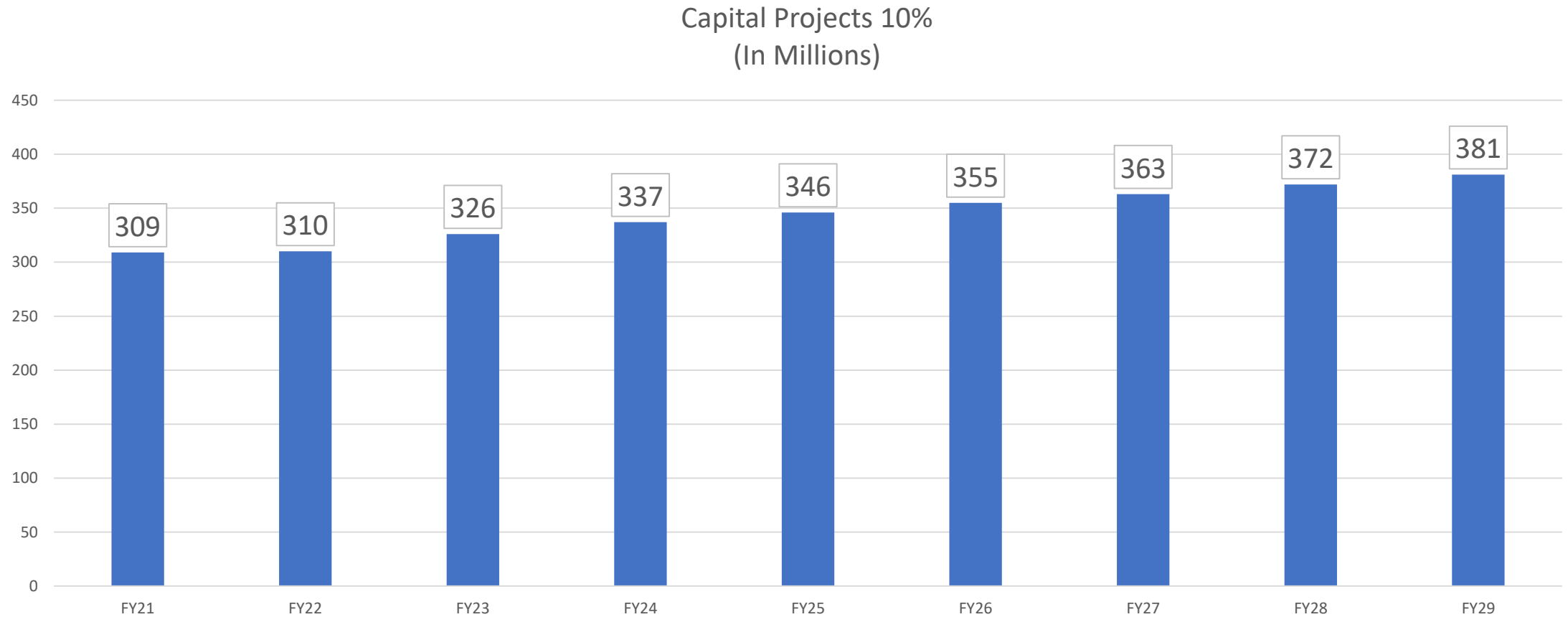
Approximate Check Size (Real Dollars)



HB 300 Education Funding



Capital Projects – 10% POMV



Proposed Community Dividends

Community	FY20 Actual Assistance	HB 300 Proposed Dividend	Per Capita
Anchorage	\$4,557,776	\$96,800,733	\$328
Juneau	\$831,662	\$11,681,921	\$362
Bethel	\$161,880	\$2,234,675	\$364
Denali Borough	\$369,402	\$1,503,366	\$966
Dillingham	\$108,732	\$1,020,578	\$428
Ketchikan	\$190,514	\$2,888,793	\$354
Kotzebue	\$119,198	\$1,259,645	\$404
Nome	\$126,859	\$1,434,658	\$392
Nulato	\$77,917	\$316,641	\$1,200
St. Marys	\$83,015	\$433,101	\$765
Tok	\$42,475	\$250,000	\$203
Gulkana	\$26,600	\$136,123	\$1,200
Akiak	\$79,192	\$381,341	\$939
Big Salt	\$25,382	\$95,946	\$1,200
Kenny Lake	\$29,192	\$221,614	\$749